UNISPLENDOUR TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 365

2016 ANNUAL REPORT

CONTENTS

Corporate Information

Board Of Directors

Executive Directors

Mr. WANG Huixuan *(Chairman, appointed as Non-executive Director on 31 October 2016, re-designated as Executive Director and appointed as Chairman on 17 February 2017)*
Mr. QI Lian *(appointed as Chairman and Executive Director on 2 June 2016, ceased to be Chairman on 17 February 2017)*
Mr. XIA Yuan *(Chief Executive Officer, appointed as Executive Director on 2 June 2016)*
Mr. BUT Tin Fu *(former Chairman, resigned on 29 November 2016)*
Mr. ZHANG Yonghong *(appointed on 26 August 2016 and resigned on 27 September 2016)*
Mr. BUT Tin Hing *(resigned on 26 August 2016)*
Mr. LEUNG Cheong *(resigned on 26 August 2016)*
Mr. LEUNG Kuen, Ivan *(resigned on 26 August 2016)*

Non-executive Director

Mr. LI Zhongxiang *(Vice Chairman, appointed on 31 October 2016)*

Independent Non-executive Directors

Mr. CUI Yuzhi *(appointed on 27 September 2016)*
Mr. BAO Yi *(appointed on 27 September 2016)*
Mr. PING Fan *(appointed on 27 September 2016)*
Mr. SEE Tak Wah *(resigned on 27 September 2016)*
Prof. XU Yang Sheng *(resigned on 27 September 2016)*
Mr. LI Wanshou *(resigned on 27 September 2016)*

Audit Committee

Mr. CUI Yuzhi *(Chairman, appointed on 27 September)*
Mr. WANG Huixuan *(appointed on 31 October 2016 and resigned on 17 February 2017)*
Mr. LI Zhongxiang *(appointed on 17 February 2017)*
Mr. BAO Yi *(appointed on 27 September 2016)*
Mr. SEE Tak Wah *(former Chairman, resigned on 27 September 2016)*
Prof. XU Yang Sheng *(resigned on 27 September 2016)*
Mr. LI Wanshou *(resigned on 27 September 2016)*

Remuneration Committee

Mr. BAO Yi *(Chairman, appointed on 27 September 2016)*
Mr. QI Lian *(appointed on 2 June 2016)*
Mr. PING Fan *(appointed on 27 September 2016)*
Prof. XU Yang Sheng *(former Chairman, resigned on 27 September 2016)*
Mr. BUT Tin Fu *(resigned on 2 June 2016)*
Mr. LI Wanshou *(resigned on 27 September 2016)*

Nomination Committee

Mr. WANG Huixuan *(Chairman, appointed on 17 February 2017)*
Mr. QI Lian *(appointed on 2 June 2016 and resigned on 17 February 2017)*
Mr. CUI Yuzhi *(appointed on 27 September 2016)*
Mr. PING Fan *(appointed on 27 September 2016)*
Mr. LI Wanshou *(former Chairman, resigned as Chairman on 2 June 2016 and resigned as a member of the Nomination Committee on 27 September 2016)*
Mr. LEUNG Kuen, Ivan *(resigned on 2 June 2016)*
Mr. SEE Tak Wah *(resigned on 27 September 2016)*

Company Secretary

Mr. LIU Wei *(appointed on 27 September 2016)*
Mr. TSE Ka Yi *(resigned on 27 September 2016)*

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place Of Business

Unit 02-03, 69/F
International Commerce Centre
1 Austin Road West
Tsim Sha Tsui
Kowloon
Hong Kong

Principal Banker

DBS Bank (Hong Kong) Limited
Units 1208-18 Miramar Tower
132-134 Nathan Road
Tsim Sha Tsui, Kowloon
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

Principal Share Registrar And Transfer Office

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Unisplendour Technology (Holdings) Limited (the "Company"), I hereby present the audited results of the Company and its subsidiaries (collectively, the "Group") for the nine months ended 31 December 2016.

Business Review

The past financial period was a year of reform in the course of development of the Group. During the period, Tsinghua Unigroup was introduced as a strategic investor of the Company, and there was also change in the management of the Company subsequently. These above measures optimised the capital structure of the Company and had positive impact on the corporate governance of the Company.

In the financial period, the performance of the Group's traditional business fell short of expectation due to poor economic and market environment. At the same time, according to problems identified in the past operation, the management integrated the traditional brand production equipment business, OEM business and automation and logistics business in the second half of the year, with main purposes to phase out production capacity lagging behind and optimise sales model and human resources structure. In addition, the management reviewed the past scale-oriented development strategy, and has put greater emphasis on the research and development of high-end products and exploring overseas and high-end customers while focusing on trade receivable management and inventory control to ensure that the cash flow of each business unit remained at healthy standard.

In addition, during the period, the Group also preliminary commenced its financial business, which was a newly-developed business in the financial period. The results of the newly-commenced business were basically in line with expectation, and achieved profit making status at this stage.

Outlook

In the future, the Group will gradually increase the proportion of its own-brand products sales. The Company will, through the industry experience accumulated over the years, continuously strengthen its own research and development ability and provide direction of development for differentiated middle and high-end products, and through the implementation of new development strategies, build up its competitive edges and actively explore new markets for achieving the targets of compressing the cost and increasing product unit price. In addition, the Group will gain a foothold in the absolute leading edges of Tsinghua Unigroup in the integrated circuit and internet communication equipment markets in Mainland China, docking internal resources on business level, and forming synergy.

In financial business, the Group will increase resource inputs and efforts in the existing finance lease and factoring businesses, and expecting them to contribute more profit to the Group. A preliminary backbone team and various reserve projects for finance lease and factoring businesses have been formed, but limited by the capital, the current business scale is still lower than expected. In the future, with the continuous investment of the Group's resources and the gradual acquisition of credit funds, the scale of the finance lease and factoring businesses will have significant increase compared with the existing standard, and the profitability can also be further enhanced. In addition, the Group will also focus on the development of licensed services under the Hong Kong Securities and Futures Ordinance to build a financial service platform. In the financial period, the proportion of the scale of revenue from financial business only accounted for a relatively small part of the overall scale of the Group, but as the business has a bright development prospect, the management has paid attention to the development of such business, and expected it to become a new point of profit growth of the Group.

During the period, the Company became a member unit of the Hong Kong Chinese Enterprises Association, and was elected as a director unit at the second meeting of the 14th session of the Board of Directors of the Association. In the future, the Company will strive to become a representative of Chinese-funded enterprises in Hong Kong, establish and maintain close connection with business groups in Hong Kong and other countries or regions, and promote the investment of Mainland China in Hong Kong and other countries or regions as well as the exchange and cooperation on trade between various parties.

Currently, the Group is healthy in working capital level. I believe that various adjustments the Group made in the financial period will lay a solid foundation for future development, and eventually will achieve the goal of the dual drive business model of "industry + finance" of the Group.

Appreciation

On behalf of the Board, I hereby express our gratitude for the support of our shareholders and partners and also for the effort and contribution of all the staff of the Group throughout the past nine months. I believe that the Group's business adjustments and strategic planning made in the financial period will achieve desired results and benefits, and the Group will seize new development opportunities and create better returns for shareholders.

WANG Huixuan
Chairman

Hong Kong, 20 April 2017

Business and operation review

Results

The Group is principally engaged in design, manufacture and distribution of SMT product and related equipment and finance lease and factoring.

In 2016, the Group's SMT and related business is still facing an adverse situation. To tackle the challenges, the Group will continue to attach importance in research and development activities and increase efforts in market expansion. At the same time, other than its existing traditional business, the Group's management will also actively search for development opportunities in the financial sector, and has expanded the finance lease business during the period.

For the nine months ended 31 December 2016, the Group had adopted business integration, and resolved its historical burdens. During the period, the Group recorded a revenue of approximately HK$268,360,000.

During the period, the Group recorded a net loss of approximately HK$603,151,000. The Board of Directors considered that the loss for the period was primarily caused by (i) the fair value loss of approximately HK$341,812,000 on the convertible bonds issued during the period; (ii) the provision for impairment of trade receivables of approximately HK$65,205,000; (iii) the provision for impairment of inventory of approximately HK$31,596,000 and (iv) the personnel expenses incurred by business integration of approximately HK$38,940,000.

Business review

SMT and related business

The Company had adopted measures to integrate the businesses of the traditional brand production, OEM and automation and logistics. The main task of the integration is to phase out outmoded production capacities and optimise the sales strategies of the existing products and the human resources structure, for the purpose of changing the decentralised state of the traditional businesses in the past, and forming a joint force to improve the quality of development through overall planning.

As the economy of Mainland China remained depressed, the Group's product market continued to remain in the doldrums, which together with the business integration implemented by the Group during the period, had led to a significant decline in sales. During the period, the revenue of SMT and related business (the brand production business, OEM business and automation and logistics business after the integration) was approximately HK$267,451,000.

In the future, the Group will continue to invest in the research and development of the SMT and related products, and make full use of the Group's accumulated resources in the industry over the years to provide customers with differentiated middle and high-end products, and actively exploit overseas markets to gradually enhance revenue and profitability.

Finance lease and factoring business

In 2014, the Group established 天時融資租賃(深圳)有限公司 (currently known as 紫光芯雲融資租賃有限公司), a wholly-owned subsidiary, in Qianhai, Shenzhen to develop finance lease and factoring business. The business achieved satisfactory progress during the period, and the Group will continue to increase its investment in the business, and consider it as one of the priority businesses of the Group in the future.

For the nine months ended 31 December 2016, the finance lease and factoring business recorded a revenue of approximately HK$909,000. Although the business has yet to contribute significantly to the Group's results during the period, it is expected become one of the growth drivers of the Group.

Financial review

Income and gross loss

During the period, the Group recorded a revenue of approximately HK$268,360,000.

During the period, the Group's gross loss margin was approximately 14.1%, which was mainly caused by the increase in the costs of the former brand production equipment business and the increase in the costs of the delay of project delivery of the former automation and logistics business.

Other income

During the period, the Group recorded other income of approximately HK$2,927,000, which included income from sales of scrap materials of approximately HK$2,053,000 and gains on sales of financial assets at fair value through profit or loss of approximately HK$656,000.

Distribution costs

During the period, the Group recorded distribution costs of approximately HK$58,972,000, representing approximately 22.0% of the revenue.

Administrative costs

The management of the Group made a comprehensive review on the credit risk of trade receivables, and made appropriate provision for the trade receivables of the related business, which caused a substantial increase in administrative costs during the period. During the period under review, administrative costs were approximately HK$144,361,000, in which personnel expenses incurred by business integration increased by approximately HK$31,878,000 and provision for trade receivables increased by approximately HK$63,832,000, which was mainly arising from the clients with deter rating credit quality, expectably difficulties in business or long outstanding balances.

Finance costs

During the period, net finance costs were approximately HK$865,000, representing a decrease of approximately HK$7,774,000 comparing with approximately HK$8,639,000 for the year ended 31 March 2016, which was mainly caused by the exchanges gains of approximately HK$5,142,000 during the period.

Loss from change in fair value of convertible bonds

On 30 May 2016, the Company issued zero coupon convertible bonds with face value of HK$148,000,000 to Unis Technology Strategy Investment Limited. During the period, the loss from change in fair value of convertible bonds was approximately HK$341,812,000.

Loss for the period

As a result of the foregoing, the loss attributable to the equity holders of the Company for the period was approximately HK$603,151,000.

(Loss)/Earning before interest, tax, depreciation and amortisation

The following table illustrates the Group's (loss)/earning before interest, tax, depreciation and amortisation for the respective period/year. The Group's (loss)/earning before interest, tax, depreciation and amortisation ratio was a loss of approximately 213.4% for the period.

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Loss for the period/year attributable to equity holders of the Company	**(603,151)**	(8,436)
Finance costs	**865**	8,639
Income tax expense/(credit)	**21,679**	(433)
Depreciation and amortisation	**7,839**	10,483
(Loss)/Earning before interest, tax, depreciation and amortisation	**(572,768)**	10,253

Liquidity, financial resources and gearing ratio

During the period, the Group issued new shares and convertible bonds on 30 May 2016, raising HK$372,000,000 and HK$148,000,000 respectively. Moreover, the Group had sufficient cash and banking facilities from its main bankers. Therefore, the Group had sufficient operating capital. The Group maintained a high level of net current assets at approximately HK$431,216,000 and healthy current ratio at 2.14 times. The total equity ratio attributable to the owners of the Company (excluding the impact of the loss from change in fair value of convertible bonds) was calculated with reference to the total borrowings as at 31 December 2016, and the gearing ratio of the Group was 84%.

Operating capital management

As at 31 December 2016, the Group held cash and bank balances of approximately HK$294,052,000, representing an increase of HK$222,147,000 comparing with HK$71,905,000 as at the beginning of the period. The Group's average inventory turnover days was approximately 101 days. The Group's average debtors turnover days was approximately 341 days. The Group's average creditors turnover days was approximately 100 days.

Fund raising activities and use of proceeds

The Company conducted several fund raising activities during the period, details of which are listed below:

On 4 February 2016, Mr. But Tin Fu, the Company and Unis Technology Strategy Investment Limited entered into a subscription agreement, pursuant to which, the Company has conditionally agreed to issue, and Unis Technology Strategy Investment Limited has conditionally agreed to subscribe, in cash, for (i) 730,000,000 subscription shares at a subscription price of HK$0.40 per subscription share; and (ii) convertible bonds with an aggregate principal amount of HK$148,000,000 which can be converted into 370,000,000 shares at a conversion price of HK$0.40 per share.

On 4 February 2016, the Company and Reach General International Limited entered into a subscription agreement, pursuant to which, the Company has conditionally agreed to issue, and Reach General International Limited has conditionally agreed to subscribe, in cash, for 100,000,000 subscription shares at a subscription price of HK$0.40 per subscription share.

On 4 February 2016, the Company and Chen Ping entered into a subscription agreement, pursuant to which, the Company has conditionally agreed to issue, and Chen Ping has conditionally agreed to subscribe, in cash, for 100,000,000 subscription shares at a subscription price of HK$0.40 per subscription share.

Completion of each of the subscription agreements took place on 30 May 2016, and the net proceeds (the "Net Proceeds") from the subscriptions of new shares and convertible bonds by the subscribers is approximately HK$516,500,000, which were intended to be used in the following manner:

1. Approximately HK$266,500,000 – for the expansion of production capacity, improvement of facilities and increase of investment in research and development;

2. Approximately HK$150,000,000 – for capital injection into 紫光融資租賃（深圳）有限公司 (formerly known as 天時融資租賃（深圳）有限公司 and renamed as 紫光芯雲融資租賃有限公司 on 1 March 2017); and

3. Approximately HK$100,000,000 – for repayment of bank borrowings.

As disclosed in the announcement of the Company dated 24 March 2017, the Board has resolved to apply the unutilised Net Proceeds of approximately HK$221,500,000 for the following purposes:

1. Approximately HK$30,000,000 will be used in acquiring suitable financial companies or business, in particular those engaged in the regulated activities under the Securities and Futures Ordinance, and injecting additional capital into such companies or business for conducting financial business;

2. Approximately HK$130,000,000 will be used in investment in listed shares; and

3. Approximately HK$61,500,000 will be used as working capital of the Group.

Financial Investments

During the period, the Group recorded a total investment gain (which is recorded as other income and other gains on the consolidated statement of comprehensive income) of approximately HK$7,765,000. This investment gain was mainly derived from the Company's investments in the listed shares of ZTE Corporation (stock code: 763.hk)("ZTE") and Semiconductor Manufacturing International Corporation (stock code: 981.hk)("SMIC"), which had investment gains of approximately HK$2,259,000 and HK$4,973,000 respectively. Apart from the ZTE and SMIC investment, none of other investments traded during the period had any material impacts on the consolidated statement of comprehensive income of the Group.

Name of investee	Total investment gain HK$'000
ZTE (stock code: 763.hk)	2,259
SMIC (stock code: 981.hk)	4,973
TENCENT (stock code: 700.hk)	407
KINGSOFT (stock code: 3888.hk)	111
Others	15
	7,765

The Company's investments in the listed shares was recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which was approximately HK$76,042,000 as at 31 December 2016.

Name of investee	Financial assets at fair value through profit or loss as at 31 December 2016 HK$'000	Approximate percentage of total financial assets at fair value through profit or loss %
ZTE	13,437	18%
SMIC	24,494	32%
TENCENT	11,685	15%
KINGSOFT	20,590	27%
Others	5,836	8%
	76,042	**100%**

During the period, the Group (i) purchased 1,821,800 ZTE shares in aggregate, and disposed 825,000 shares; (ii) purchased 2,011,000 SMIC shares in aggregate; (iii) purchased 61,000 TENCENT shares in aggregate; and (iv) purchased 1,295,000 KINGSOFT shares in aggregate.

As at 31 December 2016, the Group held 996,800 ZTE shares, 2,011,000 SMIC shares, 61,600 TENCENT shares and 1,295,000 KINGSOFT shares.

The Group has established and performed a low frequency trading strategy with respect to its financial investments and diversified its investments among and within the listed shares of HKEX listed companies in high-tech industry including telecommunication, semiconductor, internet, computers and/or software. As the mobile internet technology and e-commerce market of Mainland China grew rapidly in the past few years and management expected such momentum to continue in the near future, the Group holds an optimistic view of future performance of its investments which are expected to benefit from the blooming internet development in Mainland China.

The Group acquired most of such shares at their relatively lower trading prices in late November and early December 2016, and therefore resulted in investment gains for the period. The Group will continue to adopt a prudent investing practice and selectively invest in quality shares with high level of market liquidity, relatively low volatility and a steady dividend yield.

As disclosed in the interim report of the Company for the six months ended 30 September 2016, while continuing to develop the existing business, the Group has been actively searching for new business growth points in sectors including financial investment in order to expand the scope of its ordinary business. The Group has put in place a strict reporting mechanism to monitor the Group's investments. The investment decision making process involves market research preparations, evaluation of the management of the investment targets and reporting to the Board before making any investment decisions. Currently, there is a well formed executive team specifically responsible for the financial investments of the Group, such team is consisting of professionals with abundant experience in market analysis and trading. In addition, the executive team is subject to a strict reporting mechanism which ensures monitoring from the management and provide a safeguard for the performance of the Group's investments.

Capital expenditure on property, plant and equipment

During the period, total capital expenditure was approximately HK$1,977,000, in which approximately HK$22,000 was on the purchase of machinery and equipment, HK$440,000 on the renovation and decoration of office and HK$1,515,000 on the purchase of transportation equipment.

Charges on the Group's assets

As at 31 December 2016, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt and bank borrowings were secured by:

(i) a first legal charge on certain of the Group's land use rights and properties, which had an aggregate net carrying value at the reporting date of HK$111,513,000;

(ii) security deposits of approximately HK$2,883,000; and

(iii) cross guarantee provided by subsidiaries of the Group.

Equity and liabilities

As at 31 December 2016, the Group's equity had recorded net liabilities of approximately HK$195,763,000, which was mainly caused by recognising the convertible bonds as a financial liability. Assuming the convertible bonds had been recognised as compound financial instruments based on the preliminary assessment of the management, the Group's net assets would have been increased by approximately HK$660,221,000 and the Group resulting the change from net liability of approximately HK$195,763,000 to net assets of approximately HK$464,458,000 as at 31 December 2016.

Principal risks and uncertainties

Operational risk

The Group is exposed to operational risk in relation to each business segment of the Group. To manage operational risk, the management of each business segment is responsible for monitoring the operation and assessing operational risk of their respective business segments. They are responsible for implementing the Group's risk management policies and procedures and shall report any irregularities in connection with the operation of the projects to the Directors and seek directions. The Group emphasises on ethical value and prevention of fraud and bribery, and has established a whistleblower program, including communication with other departments and business segments and units, to report any irregularities. In this regard, the Directors consider that the Group's operational risk is effectively mitigated.

Financial risk

The Group is exposed to credit risk, liquidity risk and foreign exchange fluctuation risk.

Credit risk

In order to minimise credit risk, the Directors closely monitor the overall level of credit exposure and the management is responsible for the determination of credit approvals and monitoring the implementation of the collection procedure to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk has been significantly reduced.

Liquidity risk

The Directors have built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In this regard, the Directors consider that the Group's liquidity risk has been effectively managed.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency risks as its certain business, assets and liabilities are denominated in Renminbi, Hong Kong dollar, US dollar and Japanese yen. During the period, the Group did not utilise any financial instruments for hedging purposes, and the Group will continue to closely monitor its foreign exchange risk associated to the currencies, and will take appropriate hedging measures when necessary.

Human resources

as at 31 December 2016, the group employed approximately 496 full-time employees and workers in Mainland China, and employed approximately 17 employees in Hong Kong. The group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The group remunerates its employees based on the industry's practice. in Mainland China, the group provides employee benefits and bonuses to its employees in accordance with the prevailing labour law. in Hong Kong, the group provides staff benefits including retirement scheme and performance related bonuses.

Corporate Governance Practices

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavors to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the nine months ended 31 December 2016, except for the following deviations.

Code Provision A.6.7

Pursuant to the Code Provision A.6.7, all Directors of the Company should attend general meetings. However, one Executive Director and one Independent Non-executive Director were absent from the annual general meeting held on 29 August 2016; two Independent Non-executive Directors were absent from the special general meeting held on 9 May 2016; and two Independent Non-executive Directors were absent from the special general meeting held on 31 October 2016, all due to other business commitments. To ensure compliance with the Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the financial period.

Board of Directors

The Board, headed by the Chairman, is responsible for the oversight of the management of the business and affairs of the Company with the objective of enhancing shareholder value. It is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, recommendation of dividend, and supervision of management in accordance with the governing rules. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board of the Company comprises a total of seven Directors, with three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. More than one-third of the Board is Independent Non-executive Directors and not less than one of them have appropriate professional qualifications or accounting or related financial management expertise. The composition of the Board is shown on page 24 under the "Attendance Record at Meetings" in this report. Biographies of the Directors which include relationship among members of the Board are set out on pages 31 to 32 under the "Directors Profile" in this annual report.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

Directors are provided with complete, adequate explanation and information to enable them to make an informed decision or assessment of the Company's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. The Directors, to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company.

Regular Board meetings are scheduled to be held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Board of Directors (Continued)

Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the Code.

The Board reviewed the Company's corporate governance policies and practices, continuing professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this report.

Continuing Professional Development

The Directors have undergone satisfactory training throughout the year and provided the training record to the Company. During the nine months ended 31 December 2016, the training records of the Directors are set out below:

	Corporate Governance/update on laws, rules and regulations	
Directors	**Read Materials**	**Attend Seminars, Briefings and Conferences**
Executive Directors		
Mr. WANG Huixuan *(Chairman)*[1]	v	v
Mr. QI Lian[2]	v	v
Mr. XIA Yuan *(Chief Executive Officer)*	v	v
Non-executive Director		
Mr. LI Zhongxiang *(Vice Chairman)*	v	v
Independent Non-executive Directors		
Mr. CUI Yuzhi	v	v
Mr. BAO Yi	v	v
Mr. PING Fan	v	v

Notes:

1. Mr. Wang Huixuan was re-designated as Executive Director and appointed as the Chairman on 17 February 2017.

2. Mr. Qi Lian resigned as the Chairman on 17 February 2017.

Board of Directors (Continued)

Directors' and Officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the role of Chairman and Chief Executive Officer should be separated. For the period from 2 June 2016 to 31 December 2016, Mr. Qi Lian is the Chairman and Mr. Xia Yuan is the Chief Executive Officer of the Group. Mr. Qi Lian has ceased to act as the Chairman of the Group, and Mr. Wang Huixuan has been re-designated as Executive Director and appointed as the Chairman of Group on 17 February 2017.

Nomination Committee

The Company has established a Nomination Committee in accordance with the requirements of the Code for the purpose of reviewing the structure, size and composition of Board, identifying individuals suitably qualified to become Board members and assessing the independence of Independent Non-executive Directors. The Nomination Committee currently comprises three members, Mr. Wang Huixuan (Chairman of the Committee), who is an Executive Director, and Mr. Cui Yuzhi and Mr. Ping Fan, who are Independent Non-executive Directors. Mr. Qi Lian has ceased to act as the Chairman and a member of the Nomination Committee on 17 February 2017, and Mr. Wang Huixuan has been appointed as the Chairman of the Nomination Committee on 17 February 2017.

The Nomination Committee met three times during the nine months ended 31 December 2016 and the individual members' attendance records are disclosed in the section "Attendance Record at Meetings" in this report.

The Nomination Committee has considered and consulted the Board the following proposals during the nine months ended 31 December 2016:

(a) review on the structure of the Board of Directors of the Group;

(b) review on Terms of Reference of the Nomination Committee;

(c) assessment of the independence of Independent Non-executive Directors; and

(d) identification of candidates suitably qualified to become Directors.

Board of Directors (Continued)

Remuneration Committee

The Company has established a Remuneration Committee in accordance with the requirements of the Code for the purpose of reviewing the remuneration policy and fixing the remuneration package for all Directors. The Remuneration Committee currently comprises three members, Mr. Bao Yi (Chairman of the Committee) and Mr. Ping Fan, who are Independent Non-executive Directors, and Mr. Qi Lian, who is an Executive Director.

The Remuneration Committee met three times during the nine months ended 31 December 2016 and the individual members' attendance records are disclosed in the section "Attendance Record at Meetings" in this report.

The Remuneration Committee has considered and consulted the Board the following proposals:

(a) reviewed the salary of the Executive Directors for nine months ended 31 December 2016;

(b) reviewed the monthly remuneration of Executive Directors; and

(c) reviewed and approved the annual performance bonus schemes and the granting of discretionary bonus to both management and other employees of the Company.

The Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual Executive Directors.

Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 9 to the consolidated financial statements.

Board of Directors (Continued)

Audit Committee

The Audit Committee currently comprises three members, Mr. Cui Yuzhi (Chairman of the Committee) and Mr. Bao Yi, who are Independent Non-executive Directors, and Mr. Li Zhongxiang, who is Non-executive Director. Mr Wang Huixuan has ceased to act as a member of the Audit Committee on 17 February 2017, Mr. Li Zhongxiang has been appointed as member of the Audit Committee on 17 February 2017.

The principal duties of the Audit Committee include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence, monitor compliance with statutory and listing requirements, and to engage independent legal or other advisers as it determines necessary.

Pursuant to Rule 3.21 of the Listing Rules, the audit committee of a listed issuer must comprise a minimum of three members. After the change in composition of the Audit Committee of the Company with effect from 27 September 2016, the number of members in the Company's Audit Committee failed to meet the requirements under Rule 3.21 of the Listing Rules. Following the appointment of Mr. Wang Huixuan as a Non-executive Director and a member of the Audit Committee on 31 October 2016, the Company has recompiled with the requirements of Rule 3.21 of the Listing Rules.

During the nine months ended 31 December 2016, four meetings were held and the individual members' attendance records are disclosed in the section "Attendance Record at Meetings" in this report.

In discharging its responsibility, the Audit Committee has performed the following works:

(a) reviewed the draft annual and interim financial statements and draft results announcements during the year; and

(b) reviewed, in conjunction with the auditor, the development of accounting standards and assessed their potential impacts on the Group's financial statements.

Board of Directors (Continued)

Attendance Record at Meetings

The attendance record of each director at the Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings, Nomination Committee Meetings and General Meetings during the nine months ended 31 December 2016 is set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	General Meetings
Number of meeting held	**10**	**4**	**3**	**3**	**3**
Executive Directors					
Mr. WANG Huixuan *(Chairman)*[1]	4/4	2/2	N/A	N/A	N/A
Mr. QI Lian[2]	10/10	N/A	3/3	3/3	2/2
Mr. XIA Yuan *(Chief Executive Officer)*	10/10	N/A	N/A	N/A	2/2
Mr. BUT Tin Fu[3]	8/8	N/A	N/A	N/A	3/3
Mr. BUT Tin Hing[4]	4/4	N/A	N/A	N/A	1/1
Mr. LEUNG Cheong[4]	4/4	N/A	N/A	N/A	1/1
Mr. LEUNG Kuen, Ivan[4]	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. LI Zhongxiang *(Vice Chairman)*	4/4	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. CUI Yuzhi	5/5	3/3	N/A	1/1	0/1
Mr. BAO Yi	5/5	3/3	1/1	N/A	0/1
Mr. PING Fan	5/5	N/A	1/1	1/1	1/1
Mr. SEE Tak Wah[5]	4/5	1/1	N/A	1/2	2/2
Prof. XU Yang Sheng[5]	4/5	1/1	2/2	N/A	0/2
Mr. LI Wanshou[5]	4/5	1/1	2/2	1/2	1/2

Board of Directors (Continued)

Attendance Record at Meetings (Continued)

Notes:

1. Mr. Wang Huixuan was re-designated as Executive Director and appointed as the Chairman on 17 February 2017.
2. Mr. Qi Lian resigned as the Chairman on 17 February 2017.
3. Mr. But Tin Fu resigned as the Executive Director on 29 November 2016.
4. Mr. But Tin Hing, Mr. Leung Cheong and Mr. Leung Kuen, Ivan resigned as the Executive Director on 26 August 2016.
5. Mr. See Tak Wah, Prof. Xu Yang Sheng and Mr. Li Wanshou resigned as the Independent Non-executive Director on 27 September 2016.

Auditor's Remuneration

For the nine months ended 31 December 2016, the remuneration paid to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	2,291
Non-audit services	–
	2,291

Company Secretary

The Company Secretary, Mr. Liu Wei, is an employee of the Company who has day-to-day knowledge of the Company's affairs.

During the nine months ended 31 December 2016, the Company Secretary has taken no less than fifteen hours of relevant professional training.

Directors' responsibility statement

The Directors acknowledged their responsibility for preparing the consolidated financial statements of the Company for the nine months ended 31 December 2016. The Directors acknowledge their responsibility for preparing financial statements for each financial period/year which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's results and its cash flows.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor's responsibility statement

The auditor's responsibilities on the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 49 to 57.

Internal Control

The Board is responsible for maintaining effective internal control systems of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to evaluate the Group's risk, achieve the division goals and business objectives, maintain proper accounting records for the provision of financial information for internal analysis or for publication, comply with relevant legislation and regulations.

During the nine months ended 31 December 2016, the Board had conducted a review of the effectiveness of the systems of internal control in respect of the financial, operational, compliance controls and risk management function of the Group. The Board considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions. In addition, the Group has set up an Internal Audit Department to perform internal auditing and to resolve the deficiencies in internal control identified by the independent auditor, and engaged external institution, Zhonghui Anda Risk Services Limited, to review internal control system.

Shareholders' Rights

Procedures for Shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda ("Companies Act"), registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("SGM Requisitionists") can deposit a written request to convene a SGM at the registered office of the Company ("Registered Office"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The SGM Requisitionists must state in their request(s) the purposes of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and accordingly, a SGM will not be convened as requested.

The SGM Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM if within twenty-one days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene a SGM provided that any SGM so convened is held within three months from the date of the original SGM Requisitionists' request. A SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Shareholders' Rights (Continued)

Procedures for shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for shareholders to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Information, Corporate Governance section (Shareholders Communication Policy sub-section) of the Company's website at www.unistech.com.hk.

Shareholders' Rights (Continued)

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Mr. Liu Wei
Unit 02-03, 69/F,
International Commerce Centre,
1 Austin Road West,
Tsim Sha Tsui,
Kowloon, Hong Kong

Fax: (852) 2343 3120
Email: Enquiry@unistech.com.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Constitutional Documents

During the period under review, the special general meeting held at 31 October 2016 has approved certain amendments in relation to the notice period for convening special general meetings of the Bye-laws of the Company.

The Company's constitutional documents have been posed on the Investor Relationship of the Company's website at www.unistech.com.hk.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the nine months ended 31 December 2016 and four years ended 31 March 2016, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
RESULTS					
Revenue	**268,360**	727,213	838,203	787,603	565,372
(Loss)/profit before income tax	**(581,472)**	(8,869)	4,321	12,796	9,391
Income tax (expense)/credit	**(21,679)**	433	(1,786)	(3,370)	(3,653)
(Loss)/profit for the period/year attributable to equity holders of the Company	**(603,151)**	(8,436)	2,535	9,426	5,738

	As at 31 December 2016 HK$'000	As at 31 March 2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES					
Total assets	**952,640**	754,522	824,379	744,788	656,671
Total liabilities	**(1,148,403)**	(435,342)	(481,327)	(412,883)	(338,739)
	(195,763)	319,180	343,052	331,905	317,932

Executive Directors

Mr. WANG Huixuan, aged 50. He holds a bachelor's degree in politics from the Central China Normal University, a master's degree in political economy from the Xinjiang University, a master's degree and doctorate in business administration from the Tianjin University, and has the title as Senior Economist. Mr. Wang is currently the Executive Director and Co-president of Tsinghua Unigroup Limited, which is a controlling shareholder of the Company. He served as the chairman and CEO of PICC Capital Investment Management Co., Ltd. (人保資本投資管理有限公司), the Executive and Vice President of PICC Life Insurance Company Limited, the General Manager of PICC Life Insurance Company Limited's Shandong Branch, the head official of PICC Life Insurance Company Limited's Guangdong Branch, the Vice General Manager of China Life Insurance Company Limited's Xinjiang Branch, and the Governor of Midong District of Urumqi, Xinjiang, Mainland China.

Mr. QI Lian, aged 49. He holds a master's degree in business administration from Chinese University of Hong Kong and a master's degree in electrical engineering from Tsinghua University. Mr. Qi obtained his senior engineer qualification in August 1999. Mr. Qi is currently Executive Director and Co-president of Tsinghua Unigroup Limited. Mr. Qi held the following positions in Unisplendour Corporation Limited (紫光股份有限公司) and its predecessor, 清華紫光股份有限公司(Tsinghua Unisplendour Corporation Limited), a company listed on the Shenzhen Stock Exchange (stock code: 000938): Vice Chairman of the Board, Director, president, Executive Vice President and Secretary of the Board and Chief Investment Officer. Mr. Qi was a Director of China Transinfo Technology Co., Ltd. (北京千方科技股份有限公司) and its predecessor, Surekam Corporation (北京聯信永益科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code 002373). He also served as Chief Manager of Tsinghua Unigroup Strategic Research Centre (清華紫光集團戰略研究中心) and Deputy General Manager of Tsinghua Unigroup Test Control Co., Ltd (清華紫光集團測控公司).

Mr. XIA Yuan, aged 36. He holds a doctoral degree in communication studies from Zhejiang University (浙江大學), a master's degree in marketing communications from Bournemouth University and a bachelor's degree in English literature from University of International Relations (國際關係學院). Mr. Xia is a committee member of Shanghai Youth Federation (上海市青聯委員). Mr. Xia served as the Assistant General Manager of Beijing Tong Ren Tang Health Pharmaceutical Co., Ltd. (北京同仁堂健康藥業股份有限公司), the Vice President, Assistant to President of China Great Wall Computer (H.K.) Holdings Limited (中國長城計算機(香港)控股有限公司), Sales Engineer and Sales Manager at Huawei Technologies Co. Ltd. (華為技術有限公司). He was an independent Non-executive Director of China Union Holdings Ltd. (華聯控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000036). Mr. Xia has over 10 years of experiences in strategic planning, marketing and capital operations.

Non-executive Director

Mr. LI Zhongxiang, aged 50. He holds a bachelor's degree in statistics from the Renmin University of China, and has the title as senior accountant. Mr. Li is currently the Secretary of the Board of Tsinghua Holdings Co Ltd. which is a controlling shareholder of the Company. He is also the Vice Chairman of Tsinghua Unigroup Ltd. which is a controlling shareholder of the Company, the Director of Tsinghua Holdings International (HK) Co., Limited, the Supervisor of Tsinghua Holding Sanlian Venture Capital (Beijing) Management Co., Ltd. (清控三聯創業投資(北京)管理有限公司). He served as the Financial Controller, Vice President, Senior Vice President and Director of Unisplendour Corporation Limited, a company listed on the Shenzhen Stock Exchange (stock code: 000938), the Chief Accountant of Xiamen Marine Industry (Group) Co., Ltd. (廈門海洋實業(集團)股份有限公司), the managerial staff of Beijing Urban Construction Research Center (北京城建研究中心), and the principle staff member of the Education Department of the Ministry of Geology and Mineral Resources of Mainland China.

Independent Non-executive Directors

Mr. CUI Yuzhi, aged 50, a seasoned independent investment advisor. He holds a Bachelor of Science degree in Applied Physics from the University of Notre Dame (graduated with highest honor), and MBA from the University of Chicago Booth School of Business. Mr. Cui held senior positions at various organisations, including Executive President of Tendcare Medical Group, Portfolio Manager at Atlantis Investment Hong Kong, General Manager of Investment and Operations at Renhe Commercial (Stock Code: 1387.hk), CFO of Zhong An Real Estate (Stock Code: 672.hk), CFO of Excellence Group, CFO of Treasury Holdings China Limited, and the Vice President of Shanghai Forte Group.

Mr. BAO Yi, aged 41. He obtained MBA from the Wharton School of the University of Pennsylvania. Mr. Bao is currently the Chairman of Cedarlake Capital, a cross-border synergy fund, and Chairman of Granday Financial Leasing Co., Ltd. Mr. Bao served as the CEO of Morgan Stanley Huaxin Securities Co., Ltd., and the Managing Director of Morgan Stanley Asia Ltd. Mr. Bao is a financial expert of the Hundred Talents Program of Pudong District, Shanghai.

Mr. PING Fan, aged 38. He holds a bachelor's degree in management from the Business School of the University of Manchester, and an EMBA from the School of Economics and Management of Tsinghua University. Mr. Ping is currently the Chairman and CEO of Shanghai Lang Sheng Investment Limited. He is the Counselor of China-Arab States Expo, the Convener of China-Arab States Expo Youth Entrepreneurs' Summit from 2011 to 2013, a Commissioner of All-China Youth Federation, an Entrepreneurs' Council Member of Chinese Economists 50 Forum.

The board of directors (the "Board") present their report and the audited consolidated financial statements of Unisplendour Technology (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the nine months ended 31 December 2016.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design, manufacture and distribution of SMT and related equipment. There were no significant changes in the nature of the Group's principal activities during the period.

Results and Dividends

The Group's loss for the nine months ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 58 to 146.

The directors do not recommend the payment of a dividend for the period.

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, is set out on page 30.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the period/year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the period/year are set out in note 23 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the period/year are set out in note 25 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2016, the Company's share premium account, in the amount of approximately HK$95,240,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the period under review, aggregate sales attributable to the Group's five largest customers were approximately 18.29% of the total sales for the period and sales attributable to the largest customer included therein were approximately 7.67%. Purchases from the Group's five largest suppliers accounted for approximately 72.80% of total purchases for the period and purchases from the largest supplier included therein amounted to approximately 54.18%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers during the period.

Directors

The directors of the Company:

Executive Directors

Mr. WANG Huixuan (re-designated as Executive Director on 17 February 2017)
Mr. QI Lian
Mr. XIA Yuan
Mr. BUT Tin Fu (resigned on 29 November 2016)

Non-executive Director

Mr. LI Zhongxiang*

Independent Non-executive Directors

Mr. CUI Yuzhi*
Mr. BAO Yi*
Mr. PING Fan

* Members of the Audit Committee

Directors (Continued)

In accordance with clause 86 of the Company's bye-laws, Mr. Cui Yuzhi, Mr. Bao Yi and Mr. Ping Fan will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with clauses 87 and 88 of the Company's bye-laws, Mr. QI Lian and Mr. Xia Yuan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the Independent Non-executive Directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

The Company has received annual confirmations of independence from all Independent Non-executive Directors and as at the date of this report still considers them to be independent.

Directors' Biographies

Biographical details of the directors of the Company are set out on pages 31 to 32 of this annual report.

Directors' Service Contracts

Mr. Qi Lian and Mr. Xia Yuan have entered into a service contract with the Company for a term of three years commencing from 2 June 2016 which has continued thereafter until termination by three months' notice in writing served by either party to the other.

Mr. Wang Hui Xuan has entered into a service contract with the Company for a term of three years commencing from 27 September 2016 which has continued thereafter until termination by three months' notice in writing served by either party to the other.

All the Non-executive Director and Independent Non-executive Directors have entered into a service contract with the Company for a term of three years commencing from 27 September 2016 which has continued thereafter until termination by three months' notice in writing served by either party to the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the nine months ended 31 December 2016.

Connected Transactions

During the nine months ended 31 December 2016, the Group had not entered into any non-exempt connected transaction under the Listing Rules. Related party transactions entered into by the Group during the nine months ended 31 December 2016, which do not constitute non-exempt connected transactions under the Listing Rules, are disclosed in note 32 to the consolidated financial statements.

Competing Interest

During the nine months ended 31 December 2016, the directors were not aware of any business or interest of the directors, the controlling shareholder and their respective close associates (as defined under the Listing Rules) that competes or may compete with the business of the Group and any other conflict of interest, which any such person has or may have with the Group.

Contract of Significance

There was no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries as at 31 December 2016.

Directors' Interests in Shares and Underlying Shares

At 31 December 2016, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholder's Interest in Shares and Underlying Shares

As at 31 December 2016, so far as is known to the directors or chief executive of the Company, the following persons (other than the directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

Long position in the shares

Name of Shareholder	Nature of Interest	Number of the ordinary shares held	Approximate percentage of total shareholding
			%
Unis Technology Strategy Investment Limited *(Note 1)*	Beneficial owner	986,829,420	67.82
Reach General *(Note 2)*	Beneficial owner	100,000,000	6.87
Chen Ping	Beneficial owner	100,000,000	6.87
But Tin Fu *(Note 3)*	Beneficial owner/ interest of controlled corporation	89,867,168	6.18

Substantial Shareholder's Interest in Shares and Underlying Shares (Continued)

Long position in the shares (Continued)

Notes:

1. Unis Technology Strategy Investment Limited is wholly owned by Tsinghua Unigroup Capital Management Co., Ltd. (北京紫光資本管理有限公司), which in turn, is wholly owned by Tsinghua Unigroup Ltd. (紫光集團有限公司). Tsinghua Unigroup Ltd. (紫光集團有限公司) is owned as to 51% by Tsinghua Holdings Co., Ltd. (清華控股有限公司) and 49% owned by Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司). Tsinghua Holdings Co., Ltd. (清華控股有限公司) is wholly owned by Tsinghua University (清華大學) and Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司) is owned as to 70% by Mr. Zhao Weiguo.

2. Reach General International Limited ("Reach General") is 100% beneficially owned by Mr. Wu Xin.

3. Mr. But Tin Fu is interested in 89,867,168 shares, comprising (a) 39,525,200 shares directly held by Mr. But Tin Fu, (b) 3,796,000 shares directly held by Sun East Group Limited, which is beneficially owned as to 50% by Mr. But Tin Fu and 50% by Ms. Leung Hau Sum, who is the wife of Mr. But Tin Fu, (c) 2,424,800 shares directly held by Sum Win Management Corp., which is wholly owned by Mr. But Tin Fu and (d) 44,121,168 shares directly held by Mind Seekers Investment Limited, which is wholly owned by Mr. But Tin Fu.

Save for the interests disclosed above, the directors are not aware of any person who had, directly or indirectly, registered an interest in the issued share capital and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Management Contracts

Other than the service contracts of the directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the period.

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares of the Company.

Permitted Indemnity Provision

The bye-laws of the Company provides that each director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the directors.

Events After the Period

Save as disclosed in note 35 to the consolidated financial statement, as at the date of this report, the Group has no material events after the period.

Segmental Information

Details of segment information are set out in note 5 to the consolidated financial statements.

Environmental Policies Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the directors, the Group has complied with all relevant laws and regulations regarding environmental protection during the period.

Compliance With the Relevant Laws and Regulations

As far as the Board and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Suppliers, Customers and Other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Equity-Linked Agreement

Save as disclosed in this annual report, the Group has not entered into any equity-linked agreement during the period.

Directors' Remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditor

The Company has appointed PricewaterhouseCoopers as the auditor of the Company with effect from 27 September 2016 until conclusion of the forthcoming annual general meeting of the Company to fill the casual vacancy following the resignation of BDO Limited which took effect from 27 September 2016 as the Company and BDO Limited could not reach an agreement on the audit fee for the financial period ending 31 December 2016.

The consolidated financial statements for the nine months ended 31 December 2016 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

Save as disclosed above, there has been no other change in auditor of the Company in any of the preceding three years.

On behalf of the Board

WANG Huixuan
Chairman

Hong Kong
31 March 2017

Reporting standard and scope

This Environmental, Social and Governance Report is prepared in accordance with the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This is the first report (the "report") published by the Company and its subsidiaries (collectively, the "Group") relevant to the environmental, social and governance information and activities of the Group during the period from 1 April 2016 to 31 December 2016 (the "past period"). The environmental data in the report mainly covers the Group's production area in Shenzhen, Mainland China (the "site") which bears the Group's major production activities, and the data is mainly derived from internal records and estimates.

Content of the report

The Group fully understands the importance of environmental protection and social responsibility, particularly in Mainland China. In the past decade or so, apart from issues frequently mentioned by scientists and environmentalists such as the greenhouse effect and the El Niño phenomenon, environmental issues including dust, water pollution and haze has continuously and directly affected the daily life of the public, and there has been increasing discussions on the balance between the environment and the economic development in the society. The Group understands its own impact on the environment and the society, and hence prepared the report covering the concerns of relevant stakeholders, in order to fulfill the corporate social responsibility of the Group.

The report will provide an overview of the Group's development policies and social responsibilities in the past period in the three aspects of environment, employees and operations.

1. Environment

Emissions

As a process manufacturing enterprise, the Group does not produce large-scale and highly polluting emissions in its production process. In the past period, the major air pollutants produced in the production and operation of the site were nitrogen oxides (NOx), with a total amount of about 0.09 tons, and its main source was exhaust gases from vehicles. The Group has established comprehensive regulations on the management of vehicles, carrying out strict control on the reasonableness and conditions of the use of vehicles, in order to ensure that its impact on the environment has been reduced to a minimum.

The Group has not directly procured fossil fuels, oil or liquefied petroleum gas as the primary sources of energy for its production and business activities, and has only used a small amount of diesel for vehicles. Currently, the primary source of energy is the electricity purchased from outside, which is mainly for product production. The Group has established detailed regulations on the management of product production and process, as well as operating instructions, in order to enhance production efficiency and effectiveness, and reduce energy consumption and unnecessary waste. In the past period, the Group directly produced a total of approximately 60.58 tons of greenhouse gases, in which approximately 53.64 tons were carbon dioxide (CO_2), approximately 0.10 tons were methane (CH_4) and approximately 6.84 tons were nitrous oxide (N_2O), and indirectly produced approximately 628.79 tons of greenhouse gases (carbon dioxide (CO_2)) from the use electricity purchased from outside. The greenhouse gases indirectly produced were calculated based on the emission coefficient provided in the Guangdong Province Enterprise (Unit) Carbon Dioxide Emissions Information Reporting Guide (2014 Version) (廣東省企業（單位）二氧化碳排放資訊報告指南（2014版）).

Waste

The Group has established detailed regulations on the management of waste recycling and has set up special garbage stations in the site, carrying out weighing, categorisation and registration on hazardous wastes such as sewage, sludge as well as rags, light tubes, gloves etc. exposed to chemicals produced in production, and the wastes are properly kept in specific areas in the garbage stations until they are recycled by external institutions with relevant qualifications to ensure that secondary contamination will not occur. According to statistics, in the past period, the Group produced a total of approximately 55.5 tons of hazardous wastes, in which approximately 40 tons were sewage, approximately 15 tons were sludge and approximately 0.5 tons were rags, light tubes and gloves exposed to chemicals, and produced approximately 65.25 tons of harmless wastes which were mainly office and living garbage in the site (including the staff accommodation area).

The Group attaches great importance to hazardous wastes, and processes hazardous wastes in strict accordance with the regulations of relevant environmental regulatory institutions, and conducts real-time monitoring on the production of hazardous wastes to control the total volume. The Group has required production workshops, warehouses, office areas, accommodation and cleaning companies to dispose garbage according to the categorisation of recyclable, non-recyclable and production tailings, and the recyclable wastes shall be collectively disposed by cleaning companies.

Use of resources

During the period from 1 April 2016 to 31 December 2016, the Group's site consumed a total of 2,464,853 kWh of electricity, while consumed 69,144 m^3 of water. In terms of the use of electricity, the Group has established regulations on the management of electricity, regulating the operating standards of equipment based on safety and energy saving, and the department of engineering and maintenance has regularly examined and maintained the equipment relevant to production, office and living, in order to ensure that the equipment is in the best condition and consumption of electricity resources is minimised. In addition, the Group has adopted a series of measures to require and encourage employees to save electricity in production and accommodation areas, including turning off relevant equipment or reducing standby time in non-use time and optimising indoor lighting. In terms of the use of water resources, through advocacy, the Group has encouraged employees to reduce the waste of water resources, while collected statistics on the monthly water consumption and reviewed the abnormal data.

The Group's finished products are mainly SMT-related and welding equipment, which have to be packaged using materials such as wooden boards, cardboard boxes, bubble bags and stretch films before dispatching, and during the period from 1 April 2016 to 31 December 2016, a total of approximately 68 tons of packaging materials were used. The main purpose of the packaging is to prevent the damage to the finished products in the course of transportation, and the materials used are relatively simple and are recyclable.

The Group has established relevant regulations on the management of a series of environmental issues arising from the production operation, involving hazardous substances, use of chemicals, waste water management, waste gases management, noise management and waste management, and all of the regulated matters in the management regulations are in compliance with the requirements of relevant legal and regulatory standards. According to the judgment of the management, the Group's business activities do not have significant impact on natural resources, and the management has adopted necessary measures to properly tackle the environmental problems involved in production activities, minimising the impact on the environment.

2. Employees

Employee employment and labor standards

The Group regards its employees as family members and attaches importance to their development and growth in the enterprise. Through the formulation of various systems and regulations, the Group strives to create an equal development and healthy and safety working and living environment for its employees, as well as establish channels and mechanisms to ensure that employees' rights and interests are guaranteed.

In the aspects of employee employment, assessment and promotion, the Group does not assess employees in terms of age, sex, race, marital status, religion and nationality, physical disability, sexual orientation or political background etc., fairly treating all employees. We have entered into legal employment contracts with all employees. In strict compliance with the local labor laws and regulations and pursuant to the applicable laws and regulations, we provide all kinds of rest days, statutory holidays and paid annual leave to employees to ensure the working and rest hours of employees, while providing subsidies such as birthday, Mid-Autumn Festival, Dragon Boat Festival, Chinese New Year, food, transport, call charge, marriage and maternity. The Group implements a flexible remuneration system which comprehensively considers factors such as employee qualifications, ability, market salary level and corporate profitability. In the past period, the Group did not violate any local government policies on employee salaries. In addition, the Group prohibits the use of child labor and forced labor in any workplace.

According to the operation development needs, the Group phased out production manufacturing equipment lagging behind and affecting the environment and adjusted personnel structure during the phase out, and the adjustment was in line with local government policies and regulations.

Employee health and safety

The health and safety of employees is our top priority. The Group has formulated the Safety Management System and Comprehensive Contingency Plan to systematically and institutionally manage safe production, as well as established the safe production committee and separately set up security officers at all levels to timely supervise safe production and the handling of emergencies.

Based on the prevention-oriented safety management concept, in the past period, the Group conducted safety trainings of 50 hours to about 500 persons, while conducted regular fire drills each year to enhance fire-prevention awareness and grasp of fire escape methods for all persons.

The Group has established clear Safe Operation Procedures on all posts to regulate operating rules, and strictly requires employees of special posts to have relevant licenses. All production posts are given labor protection supplies and strict daily inspection is conducted, and the Group has formulated the Equipment Repair and Maintenance Regulation on regular check on supplies to ensure the production safety of employees. The Group arranges annual occupational physical examination for employees of special types of work to ensure their health.

The site has a canteen and strictly and regularly conducts inspection on the food hygiene and safety of the contractor, while regularly collects staff's feedback and complaints to create a favorable dining environment and dining quality for employees. The Living Area Management Office specifically conducts inspection and regular evaluation on the health and safety of the accommodation, and receives and arranges handling to indoor supplies maintenance issues in staff's feedback, in order to ensure the health and safety of staff in the accommodation.

Employee development and training

The Group is concerned about the personal growth and career development of employees, and has always been adhering to "learning and training" being the greatest benefits to meet the growth needs of employees. The Group has strived to create a "continuous learning" culture, established an employee training information exchange platform for sharing thoughts and experiences in learnings and trainings, and established an internal training lecturer team and allocated allowances for the lecturer team, regularly providing internal and external training and learning activities for employees. In the past period, the Group organised a total of more than 500 hours of internal and external trainings involving management, technical and business, with more than 2,900 persons attended, as well as regularly recommended reading materials to middle management personnel, and enhanced the strength and cohesion of the team of middle and top-level backbone personnel through carrying out outdoor outreach trainings.

In addition to providing help on career development, the Group also care about the enhancement of employee overall quality and grant financial support to various sports interest associations to help the development and growth of interest teams. Currently, our employees have, on their own initiative, set up football, basketball, badminton and table tennis associations, and carried out a variety of amateur activities.

3. Operation

Supply chain management

The Group has formulated a complete mechanism on supplier selection, evaluation and re-evaluation, in order to achieve the targets of regulating procurement process and meeting procurement needs in a fair and open environment. The assessment content of the relevant supplier review includes: the capability to deliver products and services, the technical standards of supplied materials, the supplier's capability of quality assurance and the trial of material samples. For specific materials, the supplier also needs to sign an environmental guarantee agreement to ensure that the material is in compliance with relevant environmental management substance requirements and labeling requirements and does not contain hazardous chemical substances specific to the Group.

The Group also conducts regular evaluations on existing suppliers to evaluate the supply prices, delivery conditions, quality of materials and service conditions, in order to ensure that continuous quality products and services are received. All evaluation procedures of relevant suppliers of the Group are jointly participated by departments such as procurement, research and development, quality and production departments to ensure that the procedures are carried out in an equal and transparent manner.

Product liability

Adhering to the concept of "prioritising quality and customer experience" and focusing on the characteristics of the Groups' major products, the Group has formulated a series of management regulations covering product design, material inspection, product production, finished product inspection, product packaging, dispatching, installation and after-sales service, in order to ensure that the quality of products meets or exceeds customers' requirements and complies with relevant local or international standards.

At the same time, the Group keeps the customer information obtained in the course of business strictly confidential, and confidentiality provisions are included in contracts entered with customers to prevent the disclosure of confidential or private information.

Anti-corruption

The Group attaches great importance to professional conduct and integrity, and all businesses are subject to the Anti-Bribery Ordinance in Hong Kong and the relevant anti-corruption legislations in Mainland China. Also, in the past period, the Group established an internal audit department and risk management committee to ensure that the business activities of the directors and employees are in compliance with anti-corruption requirements and bind on their actions. The Group believes that the above measures are necessary for the Company's long-term sustainable development, and hence can obtain trust from employees, customers, suppliers or other stakeholders under open standards.

Community investment

The Group has always been actively pursuing a harmonious development of its community and has always been seeking to become a pioneer providing positive energy to the community. Through the guidelines and mutual cooperation of relevant organisations in the community, the Group has established Party branch, the League branch and permanent institutions such as the committee for care for youth (關心下一代委員會) and volunteer teams, and carried out a series of positive and active activities in various manners, which have greatly promoted the harmonious development of the enterprise and the community.

In the past period, cooperating with the community, the Group hosted or participated in volunteer activities of various themes such as the Mother's Day greeting to alone senior citizens in nursing home (母親節慰問敬老院孤寡老人), the Women's Day caring and greeting to disabled mothers in the community (三八婦女節關懷慰問社區殘疾媽媽), the Children's Day caring and gifting books to left-behind children (六一兒童節關愛留守兒童贈書), the patriotism education summer camp (愛國主義教育夏令營), the Lei Feng Activities Day Phoenix Mountain environmental protection walk (學雷鋒活動日鳳凰山環保行), the voluntary donation and sale for helping critically ill children (救助病危兒童義捐義賣) and the caring sanitation workers in the community (關愛社區環衛工人), and made donation in the activities. At the same time, we set up Fuyong bus station near the site as the fixed service station of our volunteer team, adhered to provide voluntary services every Sunday, and specifically organised the provision of better voluntary services for passengers of the station during holidays. Within the Group, we also established a fund to help the poor, in order to help people in need inside and outside the site, and in the past period, we donated to three especially poor employee families.

羅兵咸永道

To the Shareholders of Unisplendour Technology (Holdings) Limited

(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Unisplendour Technology (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 146, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the nine months ended 31 December 2016;
- the consolidated statement of changes in equity for the nine months ended 31 December 2016;
- the consolidated statement of cash flows for the nine months ended 31 December 2016; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the nine months ended 31 December 2016 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition and measurement of the convertible bonds
- Impairment of trade receivables
- Assessment on the tax provision on the recognition of offshore businesses

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition and measurement of convertible bonds Refer to note 3.3 fair value measurement, note 4 Critical accounting estimates and judgements and note 28 Convertible bonds of the consolidated financial statements. With the approval obtained in the special general meeting held on 9 May 2016, the Company issued 730,000,000 ordinary shares at a price of HK$0.4 per share and zero coupon convertible bonds with face value of HK$148,000,000 to Unis Technology Strategy Investment Limited on 30 May 2016. The management assessed the key terms in the relevant agreements and considered the substance of the contractual arrangements to determine the related accounting treatments. The convertible bonds issued by the Company are designated at fair value through profit or loss at initial recognition. The fair value of the convertible bonds were determined by using valuation technique and such technique involves the estimations on significant unobservable inputs such as volatility of the stock price and credit spread of the Company. The management engaged an independent valuer to assist on the fair value assessment of the convertible bonds at the date of initial recognition and the period end date. We focus on these areas as the accounting for the initial recognition of the issuance of convertible bonds involves complex accounting judgements and the valuation assessment of the convertible bonds involves significant assumptions and judgements.	Regarding the initial recognition of convertible bonds, we performed the following procedures: • We interviewed management to understand the business substance of the arrangements, obtained and inspected the relevant supporting documents such as the agreements, board meeting minutes and the announcements by the Company; and • We evaluated the management's analysis of the contract terms and the respective assessment on accounting treatment by the management. Regarding the fair value assessment of convertible bonds, with the involvement of our internal valuation experts, we performed the following procedures: • We assessed the objectivity, independence and competence of the external valuer engaged by the management; • We analysed and assessed the valuation model adopted by management and the external valuer; • We analysed and assessed the significant unobservable inputs used in the valuation model as follows: o Volatility of the stock price by referencing to the Company's historical movement on stock price; and o Credit spread by comparing to the credit spread of the comparable companies. • We analysed and assessed the sensitivity analysis performed by the Company over the above significant unobservable inputs; and • We performed an independent valuation assessment of the convertible bonds and compared the valuation results with management. We performed the procedures above and obtained the relevant evidence to support management's assessment on the initial recognition of the convertible bonds and the key assumptions and judgements adopted in the calculation of the fair value of the convertible bonds by the management.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
Refer to note 4 Critical accounting estimates and judgements and note 20 Trade receivables and other receivables of the consolidated financial statements. For the nine months ended 31 December 2016, the Group provided for the impairment of trade receivables amounted to HK$65,205,000. As of 31 December 2016, the provision for impairment on trade receivables was amounted to HK$99,092,000. The Group considered the credit quality of the customers and the analysis and assessment on the latest market and business operations updates to determine the collectability of the trade receivables. We focus on these areas as its significance and the assessment for impairment of trade receivables involves critical accounting estimates and judgements.	Regarding the impairment of trade receivables, we performed the following procedures: • We understood and evaluated the Group's internal controls over the process of identifying events or circumstances give rise to impairment on trade receivables and the respective impairment assessments, and we tested relevant key internal controls; • We performed independent assessment to identify events or circumstances which may give rise to impairment of trade receivables on a sampling basis. We focused on trade receivable accounts with material balances, long outstanding or poor credit records; and • We obtained the impairment calculation schedule of a specific trade receivable account on a sampling basis and assessed the impairment analysis performed by the management including inspection of the relevant supporting documents. Based on the procedures performed and evidence obtained, we found the accounting estimates and judgements in relation to the provision for impairment of trade receivables were supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment on the tax provision on the recognition of offshore businesses	
Refer to note 4 Critical accounting estimates and judgements and note 11 Income tax expense/(credit) to the consolidated financial statements. Certain subsidiaries of the Group are subject to the tax review conducted by the Hong Kong Inland Revenue Department (the "HKIRD") on the offshore claims lodged on profits. For the nine months period ended 31 December 2016, the Group provided for HK$20,876,000 tax provision based on the information obtained in the current period. We focus on these areas as the estimation of such tax provision is complex and involves significant judgements.	Regarding the provision on tax liabilities, we performed the following procedures: • We obtained and examined the correspondence between the Group, the HKIRD and the Group's independent tax adviser; • We understood the matters in dispute based on the discussion with management and obtained and examined the assessment by management in arriving the expected tax liability; and • We involved our internal tax specialists to assess the provisions made by the management based on the evidence and information obtained. We performed the procedures above and obtained the relevant evidence to support the judgements made on the provision of tax provision by the management.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regards.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is William Lam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2017

Consolidated Statement of Comprehensive Income

	Notes	Nine months ended 31 December 2016 HK$'000 (Note 1)	Year ended 31 March 2016 HK$'000
Revenue	5	**268,360**	727,213
Cost of sales	8	**(306,109)**	(628,705)
Gross (loss)/profit		**(37,749)**	98,508
Other income	6	**2,927**	2,201
Other (losses)/gains, net	7	**(640)**	5,574
Distribution costs	8	**(58,972)**	(46,280)
Administrative costs	8	**(144,361)**	(60,233)
Operating loss		**(238,795)**	(230)
Finance income	10	**5,475**	325
Finance costs	10	**(6,340)**	(8,964)
Finance costs, net	10	**(865)**	(8,639)
Loss from change in fair value of convertible bonds	28	**(341,812)**	–
Loss before income tax		**(581,472)**	(8,869)
Income tax (expense)/credit	11	**(21,679)**	433
Loss for the period/year attributable to equity holders of the Company		**(603,151)**	(8,436)
Other Comprehensive Income			
Item that will not be reclassified subsequently to profit or loss			
Surplus on revaluation of properties	14	**2,651**	2,058
Deferred tax relating to revaluation surplus	29	**(407)**	(314)
		2,244	1,744
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(14,548)**	(17,180)
Other comprehensive loss for the period/year, net of tax		**(12,304)**	(15,436)
Total comprehensive loss for the period/year		**(615,455)**	(23,872)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(615,455)**	(23,872)
			(Restated)
Basic loss per share	12(a)(c)	**(44.24) Cents**	(1.61) Cents
Diluted loss per share	12(b)(c)	**(44.24) Cents**	(1.61) Cents

The notes on pages 64 to 146 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Notes	31 December 2016 HK$'000 (Note 1)	31 March 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**133,021**	151,892
Land use rights	15	**9,660**	10,551
Finance lease receivables	16	**542**	1,776
		143,223	164,219
Current assets			
Inventories	17	**69,516**	112,717
Trade receivables and other receivables	20	**359,397**	384,111
Finance lease receivables	16	**3,927**	3,107
Derivative financial instruments		**–**	183
Tax reserve certificates		**3,600**	3,600
Financial assets at fair value through profit or loss	19	**76,042**	–
Security and restricted deposits	22	**2,883**	14,680
Cash and cash equivalents	21	**294,052**	71,905
		809,417	590,303
TOTAL ASSETS		**952,640**	754,522
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	23	**145,500**	52,500
Share premium	23	**95,240**	87,728
Other reserves	25	**78,676**	90,603
(Accumulative losses)/retained earnings	24	**(515,179)**	88,349
TOTAL EQUITY		**(195,763)**	319,180

Consolidated Balance Sheet

	Notes	31 December 2016 HK$'000 (Note 1)	31 March 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Finance lease liabilities		–	164
Convertible bonds	28	756,892	–
Deferred tax liabilities	29	13,310	13,163
		770,202	13,327
Current liabilities			
Trade payables and other payables	26	202,936	246,827
Borrowings	27	122,881	143,219
Finance lease liabilities		–	98
Tax payable		52,384	31,871
		378,201	422,015
TOTAL LIABILITIES		1,148,403	435,342
TOTAL EQUITY AND LIABILITIES		952,640	754,522

The notes on pages 64 to 146 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 58 to 146 were approved by the Board of Directors on 31 March 2017 and were signed on its behalf.

WANG Huixuan
Director

XIA Yuan
Director

Consolidated Statement of Changes in Equity

	Notes	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000 (Note 25)	Retained earnings/ (accumulative losses) HK$'000	Total equity HK$'000
Balance at 1 April 2016		52,500	87,728	90,603	88,349	319,180
Comprehensive loss						
Loss for the period		–	–	–	(603,151)	(603,151)
Surplus on revaluation of properties	14	–	–	2,651	–	2,651
Exchange differences on translation of foreign operations		–	–	(14,548)	–	(14,548)
Deferred tax relating to surplus on revaluation of properties	29	–	–	(407)	–	(407)
Total comprehensive loss		–	–	(12,304)	(603,151)	(615,455)
Transactions with equity holders in their capacity as equity holders						
Proceeds from shares issued	23	93,000	7,512	–	–	100,512
Total transactions with equity holders in their capacity as equity holders		93,000	7,512	–	–	100,512
Transfers to reserve	24	–	–	377	(377)	–
Balance at 31 December 2016		145,500	95,240	78,676	(515,179)	(195,763)

Consolidated Statement of Changes in Equity

	Notes	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000 (Note 25)	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 April 2015		52,500	87,728	104,759	98,065	343,052
Comprehensive loss						
Loss for the year		–	–	–	(8,436)	(8,436)
Surplus on revaluation of properties	14	–	–	2,058	–	2,058
Exchange differences on translation of foreign operations		–	–	(17,180)	–	(17,180)
Deferred tax relating to surplus on revaluation of properties	29	–	–	(314)	–	(314)
Total comprehensive loss		–	–	(15,436)	(8,436)	(23,872)
Transfers to reserve	24	–	–	1,280	(1,280)	–
Balance at 31 March 2016		52,500	87,728	90,603	88,349	319,180

The notes on pages 64 to 146 are an integral part of these consolidated financial statements.

	Notes	Nine months ended 31 December 2016 HK$'000 (Note 1)	Year ended 31 March 2016 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30	**(213,086)**	3,261
Interest paid		**(6,340)**	(7,022)
Income tax paid		**(1,426)**	(991)
Net cash used in operating activities		**(220,852)**	(4,752)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(1,977)**	(876)
Proceeds from disposal of property, plant and equipment	30	**1,645**	440
Purchase of financial assets at fair value through profit or loss		**(95,109)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**26,176**	–
Purchase of financial lease asset		**–**	(8,494)
Capital element of finance lease receivables received		**–**	3,611
Interest element of finance lease receivables		**–**	203
Decrease/(Increase) in security and restricted deposits	22	**11,797**	(12,288)
Interest received		**333**	325
Net cash used in investing activities		**(57,135)**	(17,079)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	23	**367,592**	–
Proceeds from issuance of convertible bonds	23	**148,000**	–
Proceeds from borrowings	27	**145,223**	143,219
Repayment of borrowings	27	**(165,561)**	(99,148)
Repayment of finance lease liabilities		**(262)**	(107)
Net cash generated from financing activities		**494,992**	43,964
Net increase in cash and cash equivalents		**217,005**	22,133
Cash and cash equivalents at the beginning of the period/year	21	**71,905**	51,700
Exchange gains/(losses) on cash and cash equivalents	10	**5,142**	(1,928)
Cash and cash equivalents at the end of the period/year		**294,052**	71,905

The notes on pages 64 to 146 are an integral part of these consolidated financial statements.

1 General Information

Unisplendour Technology (Holdings) Limited, formerly known as Sun East Technology (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is changed to Unit 02-03, 69/F,ICC-International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 31 October 2016. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal business of the Company is investment holding. The principal business of the Company's subsidiaries are set out in note 13. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

On 30 May 2016, the Company issued 730,000,000 ordinary shares (Note 23) to Unis Technology Strategy Investment Limited at the price of HK$0.4 per share and zero coupon convertible bonds of face value of HK$148,000,000 (Note 28). After the completion of the aforesaid transaction, Unis Technology Strategy Investment Limited held 50.17% of the enlarged issued share capital of the Company and became a controlling shareholder of the Company. Pursuant to Rule 26.1 of the Takeovers Code, immediately following the completion of the aforementioned transactions, Unis Technology Strategy Investment Limited was required to make an unconditional mandatory cash offer for all the issued shares. On 26 August 2016 (the last date for acceptance of the offer), Unis Technology Strategy Investment Limited received acceptances in respect of a total of 294,659,420 shares, aggregating the shares already held by Unis Technology Strategy Investment Limited, the percentage of the issued share capital of the Company held by Unis Technology Strategy Investment Limited increased to 67.92%. The percentage of the issued share capital of the Company held by the public reduced to approximately 23.40%. Accordingly, the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules was not satisfied. The Company applied to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules. On 2 November 2016, Unis Technology Strategy Investment Limited disposed of 37,830,000 shares to an independent third party, following the disposal of shares, 378,303,412 shares were held by the public. Accordingly, the minimum public float of the Company of 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules had been restored. On 2 November 2016 and 31 December 2016, the percentage of the issued share capital of the Company held by Unis Technology Strategy Investment Limited was 67.82%.

1 General Information (Continued)

On 29 June 2016, the Board of Directors of the Company announced that the financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2016. Accordingly, the current financial period covers nine months from 1 April 2016 to 31 December 2016, and the figures of the comparative periods are not directly comparable.

On 29 August 2016, a special resolution was passed by the shareholder of the Company in the annual general meeting and with effect from 2 September 2016, the name of the Company was changed from "Sun East Technology (Holdings) Limited" to "Unisplendour Technology (Holdings) Limited" and adopted "紫光科技(控股)有限公司" as the Company's secondary name in Chinese to replace its original Chinese name "日東科技(控股)有限公司". On 12 October 2016, the English and Chinese names were registered with the Companies Registry in Hong Kong.

These consolidated financial statements are presented in Hong Kong dollar, unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on 31 March 2017.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods/years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is set out in note 27.

2.1.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following amendment to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- HKFRS 14 "Regulatory deferral accounts"
- Amendment to HKFRS 11 "Accounting for acquisitions of interests in joint operations"
- Amendments to Hong Kong Accounting Standards ("HKAS") 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation"
- Amendment to HKAS 27 "Equity method in separate financial statements"

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

- The 2012-2014 cycle of the annual improvements project that affect four standards:
  - HKFRS 5 "Non-current assets held for sale and discontinued operations";
  - HKFRS 7 "Financial instruments: Disclosures";
  - HKAS 19 "Employee benefits"; and
  - HKAS 34 "Interim financial reporting"
- Amendments to HKFRS 10 "Investment entities: applying the consolidation exception"
- Amendments to HKFRS 12 and HKAS 28; and
- Amendments to HKAS 1 "Disclosure initiative"

The adoption of these new standards, amendments and improvements to HKFRS and HKAS did not have any significant impact on the Group's financial performance and position for the period ended 31 December 2016.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the Groups' financial assets consists of loans and receivables which are carried at amortised cost and equity investments which are measured at fair value through profit or loss and hence there will be no change to the accounting for these assets with the adoption of HKFRS 9.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2Changes in accounting policies and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

For financial liabilities, the new requirements only affect the financial liabilities that are designated at fair value through profit or loss and as at 31 December 2016, the convertible bonds issued by the Group were classified as financial liability at fair value through profit or loss. However, as stated in Note 35, as the ordinary resolution has been passed in the special general meeting on 30 March 2017 for the change in the agreement of the convertible bonds, the Group expects that such financial liability at fair value through profit or loss will be dereognised and convertible bonds, as compound financial instruments, will be recognised. Accordingly, the Group does not expect the new standards to have any significant impact on its financial liability.

The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. According to the preliminary assessment by the Group, the adoption of HKFRS 15 is not expected to have significant effect on the financial performance and position of the Group. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2Changes in accounting policies and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for leasers will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at 31 December 2016, the Group's aggregate future minimum lease payments under non-cancellable operating lease are HK$27,955,000 (payments within one year are HK$10,506,000, and payments over one year but within five years are HK$17,449,000)(Note 31). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for subsequent recognition of retained interest as associates, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director that makes strategic decisions.

2 Summary of Significant Accounting Policies (Continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "finance income or expenses". All other foreign exchange gains and losses are presented in the statement of comprehensive income under "Other (losses)/gains, net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2 Summary of Significant Accounting Policies (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

- goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Resulting currency translation differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Properties are recognised as fair value based on the valuations by external independent valuers, less subsequent depreciation for properties at each balance sheet date.

A revaluation surplus is credited to other reserves in shareholders' equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in the net carrying amount of properties arising on revaluation is recognised in other comprehensive income to the extent of the revaluation surplus in asset revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

All machinery and equipment, furniture, fixtures and property decoration, computer software and motor vehicles are stated at historical cost less depreciation.

2 Summary of Significant Accounting Policies (Continued)

2.5 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method based on costs or revaluation (net of residual value) of assets over their estimated useful lives. The Group's property, plant and equipment are amortised using the straight-line method over their estimated useful lives as follows:

–	Properties	20-22 years
–	Machinery and equipment	5-10 years
–	Furniture, fixtures and property decoration	5-10 years
–	Computer software	3-10 years
–	Motor vehicles	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains, net" in the statement of comprehensive income.

2.6 Land use rights

Land use rights represent up-front payments to acquire long term interest in the usage of the land, and are stated at cost less accumulated amortisation and any impairment loss. Amortisation is calculated on straight-line method to write off the up-front payments over the lease terms of fifty years.

2 Summary of Significant Accounting Policies (Continued)

2.7 Research and development costs

Costs associated with research activities are recognised as an expense as incurred. Development items (related to design and test of new and improved products) are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the Group has adequate technical, financial and other resources to complete and use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs recognised in previous periods are stated as intangible assets, and amortised since the date when the asset was available for use using straight line method over its estimated useful life.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of Significant Accounting Policies (Continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and bills receivables, factoring receivables and other receivables, security and restricted deposits and cash and cash equivalents.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 Summary of Significant Accounting Policies (Continued)

2.9 Financial assets (Continued)

2.9.2 Recognition and measurement (Continued)

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the statement of comprehensive income within “Other (losses)/gains, net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as other income when the Group’s right to receive payments is established.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 Summary of Significant Accounting Policies (Continued)

2.11 Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and bills receivables

Trade and bills receivables are amounts and bills due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets; otherwise they are classified as non-current assets.

2 Summary of Significant Accounting Policies (Continued)

2.14 Trade and bills receivables (Continued)

Trade and bills receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank deposits, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and bills payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bills payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer); otherwise they are classified as non-current liabilities.

Trade and bills payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the balance sheet date.

2 Summary of Significant Accounting Policies (Continued)

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Convertible bonds

During the reporting period, convertible bonds (including related embedded derivatives) issued by the Company are designated to be measured at fair value through profit or loss on initial recognition, and the transaction costs are deducted from the statement of comprehensive income. At the end of each reporting period after initial recognition, all convertible bonds are measured at fair value and changes in their fair value are directly recognised in profit or loss in the period in which they are incurred.

If the convertible bonds holders convert the convertible bonds to share capital, and the number of shares to be issued does not vary with changes in their fair value, the convertible bonds are classified as compound financial instruments. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2 Summary of Significant Accounting Policies (Continued)

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

<u>Inside basis differences</u>

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of Significant Accounting Policies (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

Group companies adopt several pension plans including defined contribution plan, short-term employee benefits and termination benefits.

(a) Defined contribution plan

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries.

2 Summary of Significant Accounting Policies (Continued)

2.22 Employee benefits (Continued)

(a) Defined contribution plan (Continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined benefit plan is a pension plan without a fixed amount of contribution.

(b) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised by the Group (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

2 Summary of Significant Accounting Policies (Continued)

2.23 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of goods

The Group manufactures and sells a series of industrial products. Sales of goods are recognised when the Group has delivered products to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2 Summary of Significant Accounting Policies (Continued)

2.24 Revenue recognition (Continued)

(a) *Sales of goods (Continued)*

No element of financing is deemed present as the sales are made with a credit term of thirty to ninety days, which is consistent with the market practice.

(b) *Construction contract*

When the outcome of a construction contract can be estimated, contract revenue and cost is recognised over the period of the contract by reference to the stage of completion at balance sheet date. The group uses the 'percentage-of-completion' method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(c) *Finance lease income*

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Unearned finance income is calculated using effective interest method, which allocates rentals to each period during the lease term, and allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate (implied effective interest rate) of return on the lessor's net investment in the lease.

2 Summary of Significant Accounting Policies (Continued)

2.24 Revenue recognition (Continued)

(d) *Factoring income*

Factoring income is determined based on the time of transferring fund use rights and the calculation of effective interest rates.

2.25 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.26 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2 Summary of Significant Accounting Policies (Continued)

2.28 Lease

(a) *Where the Group is the lessor of financial lease*

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Upon the commencement of the lease term, the Group recognises the minimum lease payments as finance lease receivables, and recognises unguaranteed residual value as assets under the same category. The Group recognises the difference between (a) the unguaranteed residual value of minimum lease payments and (b) the present value of such payments (carried as finance lease receivables, net in the balance sheet) as unearned finance income. Minimum lease payments are payments over the lease term that the lease is or can be required to make plus any residual value guaranteed to the lessor by the leasee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate).

Initial direct costs such as commission, legal fees and internal costs that are incremental and directly attribute to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

In respect of derecognition and impairment, finance lease receivables are treated as loans and receivables.

The impairment loss of finance lease receivables is measured by the difference between the carrying amount of receivables and the present value of estimated future cash flows (discounted based on the implied effective interest rate used in initial recognition).

2 Summary of Significant Accounting Policies (Continued)

2.28 Lease (Continued)

(b) *Where the Group is the lessee*

Lessee of operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the leasee. Payments received from leasees under operating leases (net of any incentives grant to the leasee) are recognised in the statement of comprehensive income on a straight-line basis over the lease periods.

Lessee of finance lease

The leased asset is recognised as the lower of the fair value of the leased assets and the present value of the minimum lease payments, the difference between the lease assets and minimum lease payment is recognised as unrecognised finance expenses using the effective interest method to amortise during the lease periods. The minimum lease payments less unrecognised finance expenses is stated as financial lease liability.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is conducted by senior management of the Group and approved by the Board of Directors.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Mainland China and Hong Kong, and the primary foreign exchange risk arises from financial instruments measured by currencies other than the functional currency of the Group. The functional currency of the Group's subsidiaries in Mainland China is Renminbi, and the functional currency of the Company and the Group's subsidiaries in Hong Kong and the immediate holding companies in other regions is Hong Kong dollar. The foreign exchange risk of the Group arises from the financial instruments of the Group's subsidiaires in Mainland China as measured by Renminbi, the financial instruments of the Company and the Group's subsidiaries in Hong Kong and other regions as measured by Hong Kong dollar and the Group's investments in foreign operations in Mainland China.

As at 31 December 2016, if Renminbi had weakened/strengthened by 5% against Hong Kong dollar and US dollar (31 March 2016: 5%) with all other variables held constant, the Group's loss before tax for the period would have been increased/decreased by HK$7,077,000 (31 March 2016: HK$2,556,000), mainly as a result exchange losses/gains on translation of Renminbi denominated trade receivables off the Group's subsidiaries in Hong Kong.

Foreign exchange risk arises when future commercial transactions or recognised asset or liabilities are denominated in a currency that is not the Group's functional currency. Currently, there is no hedging policies for the Group on transactions, assets and liabilities denominated in foreign currencies. The Group closely monitor and controls foreign exchange risk and considers engaging in hedging activities if there is significant foreign exchange risk.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

The Group's equity investments in other entities are stocks publicly traded in the stock market. During the reporting period, the equity investments of the Group consists of stocks that are traded in the Main Board of the Hong Kong Stock Exchange. Therefore, if the Hang Seng Index had increased/decreased by 5%, with all other factors held constant, the Group's after-tax profit (i.e. equity) would have been increased/decreased by approximately HK$2,281,000.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As the terms of the fixed rate borrowings obtained are relatively short, therefore, the Group's fair value interest rate risk is relatively low. The Group currently has not entered into any interest rate swap contract and will only consider for hedging of significant interest rate risk.

For the nine months ended 31 December 2016, if the floating rates for borrowings had increased/decreased by 1% (31 March 2016: 1%) with all other variables held constant, the Group's loss before tax would have been increased/decreased by HK$421,000 (for the year ended 31 March 2016: HK$371,000).

As at 31 December 2016 and 31 March 2016, the expected fluctuations in interest rate had no significant impact on interest income derived from cash and cash equivalents.

(b) Credit risk

The Group is exposed to credit risks arising from the cash and cash equivalents and trade receivables and other receivables.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

In respect of cash and cash equivalents and restricted deposits, the Group manages the credit risk by placing all bank deposits in state-owned financial institutions and banks and security companies with good reputation (all of which are financial institutions with high credit quality).

In order to manage credit risk arising from trade receivables and other receivables, the Group assesses the debtors' financial position on a periodical basis and does not require the debtors to place collaterals for the outstanding balances. Certain of the Group's sales are on letter of credit or documents against payment and the remaining balances are with credit terms of thirty to ninety days. The Group regularly reviews the recoverability of trade receivables and other receivables, based on the expected recoverability and timing of collection, the Group provides for bad debts, and the actual losses arising from bad debts are within management's expectation.

As at 31 December 2016, trade receivables from the top five customers of the Group account for 9% of the total trade receivables (31 March 2016: 18%), thus the Group's exposure to concentration of credit risk is low.

The credit risk on the factoring receivables is the risk of losses that the debtor is unable or unwilling to fulfill its obligations or commitments. In order to manage the credit risk on the factoring receivables, the Group manages credit risk exposure through periodic analysis on the borrower's prepayment ability of the principal and interest, and produce the review report by re-visiting the different risk types customers. The Group generally requires guarantee for factoring business and the guarantee methods are determined based on credit position of the receivable sellers, risk exposure of factoring business and the characteristics of different guarantee methods, and assesses the guarantor's guarantee ability, legal ownership and valuation of the collaterals and pledges and the feasibility to realise such rights over the collaterals and pledges. In respect of factoring receivables (including long-term receivables) guaranteed by third parties, the Group assesses the guarantor's financial position, credit position and compensation capacity.

As at 31 December 2016, the maximum exposure to credit risk on the factoring receivables is the carrying amount of the factoring receivables (Note 20).

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

The Group manages the liquidity risk through holding of sufficient cash and bank balances. The Group further mitigates the liquidity risk by maintaining cash reserve and utilising bank financing. The Directors consider the Group is not exposed to significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, (including interest payment computed using contractual rates or, if floating, based on current rates at each balance sheet date).

	Less than 3 months HK$'000	3 to 6 months HK$'000	6 to 12 months HK$'000	1 to 5 years HK$'000
At 31 December 2016				
Trade payables and bills payables	**40,679**	**1,947**	**18,805**	**–**
Other payables and accrued expenses	**53,024**	**–**	**–**	**–**
Borrowings	**1,349**	**57,058**	**67,905**	**–**
Convertible bonds	**–**	**–**	**–**	**756,892**
	95,052	**59,005**	**86,710**	**756,892**
At 31 March 2016				
Trade payables and bills payables	53,730	23,266	89,198	–
Other payables and accrued expenses	12,529	–	–	–
Borrowings	93,237	28,104	24,032	–
Finance lease liabilities	27	27	54	170
	159,523	51,397	113,284	170

3 Financial Risk Management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, and total capital is the adjusted total equity. As at 31 December 2016, total equity was a net liabilities position as a result of the accounting treatment on the issuance of convertible bonds (Note 28). As such convertible bonds were held by Unis Technology Strategy Investment Limited, the controlling shareholder of the Group, and the Group expects that all convertible bonds would be converted to ordinary shares before the maturity date, therefore, such convertible bonds are managed by the management as the equity of the Group. As at 31 December 2016, the adjusted total equity is the total equity excluding the loss from the change in fair value of convertible bonds.

As at 31 December 2016 and 31 March 2016, the gearing ratios were as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Total borrowings	**122,881**	143,219
Adjusted total equity	**146,049**	319,180
– Total equity	**(195,763)**	319,180
– Loss from change in fair value change of convertible bonds (Note 28)	**341,812**	–
Gearing ratio	**84%**	45%

3 Financial Risk Management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 and 31 March 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See note 14 for disclosure of the properties that are measured at fair value, note 19 for disclosure of the financial assets at fair value through profit or loss and note 28 for disclosure of the convertible bonds.

Financial instruments at fair value as at 31 December 2016 were as follows:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
ASSETS				
Trading securities (Note 19)	**76,042**	**–**	**–**	**76,042**
LIABILITIES				
Convertible bonds	**–**	**–**	**756,892**	**756,892**

Financial instruments at fair value as at 31 March 2016 were as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
ASSETS				
Derivative financial instruments	–	183	–	183

There were no transfer between level 1, 2 and 3 during the period/year.

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

(a) *Financial instruments in level 3*

The following table presents the changes in level 3 instruments for the nine months ended 31 December 2016.

	Convertible bonds HK$'000
At initial recognition date	415,080
Changes in fair value	341,812
Closing balance	**756,892**

The above changes in fair value are recognised as losses on changes in fair value of convertible bonds.

The Company uses the binomial model to assess the fair value of the convertible bonds. The inputs used by the model include the stock price of the Company, the conversion price of the convertible bonds, the risk-free rate, the dividend interest yield, the expected volatility of the stock price and the credit spread of the Company.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2016 were as follows:

Significant unobservable inputs	31 December 2016
Expected volatility of the stock price	**80.55%**
Credit spread of the Company	**861.5bps**

A higher expected volatility of the stock price will increase the fair value of the convertible bonds, a lower credit spread of the Company will increase the fair value of the convertible bonds.

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

(a) *Financial instruments in level 3 (Continued)*

As at 31 December 2016, if the expected volatility had increased/decreased by 10% and the credit spread of the Company had increased/decreased by 100bps, with all other variables held constant, the changes in fair value of the convertible bonds were as follows:

	Estimated change in expected volatility		Estimated change in credit spread of the Company	
	+10%	**-10%**	**+100bps**	**-100bps**
Increase/decrease in fair value of convertible bonds	4,341,000	(4,019,000)	(1,332,000)	1,436,000

Valuation processes of the Group

The Group employed an independent valuer who obtained the relevant professional qualification and experiences in relation to valuation of financial instruments to assess the valuation of the convertible bonds on each balance sheet date.

The Group's finance department is responsible for reviewing the valuations performed by the independent valuer for financial reporting purposes. The finance department reports directly to the chief financial officer (CFO) and the audit committee (AC). The CFO, AC and the independent valuer will meet at least annually to discuss valuation process and the respective valuation results, in line with the Group's reporting date. As at 31 December 2016, the fair value of the convertible bonds was assessed by the independent valuer.

At each balance sheet date, finance department will:

- Verify all major inputs to the independent valuation report;
- Perform sensitivity analysis based on the valuation inputs; and
- Discuss with independent valuer.

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 3 (Continued)

All level 2 and level 3 valuation results on the balance sheet date are discussed with the CFO, AC and the finance department on the annual valuation meeting. The finance department will submit the report with the explanation of the change in fair value after the meeting.

As at 31 December 2016, the carrying values of current financial assets (including cash and cash equivalents, security deposits, restricted deposits, trade and bills receivables, factoring receivables and other receivables) and current financial liabilities (including trade payables, bills payables, other payables and borrowings) are a reasonable approximation of fair value.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are addressed below.

(a) Impairment of trade receivables and other receivables

The management of the Group determines the impairment of trade receivables and other receivables on a regular basis. This estimation is based on the credit history of the customers/borrowers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(b) *Income taxes*

The Group is subject to income taxes in Hong Kong and Mainland China. Significant judgement is required in determining the amount of the provision for income taxes (such as the determination of the profits derived from offshore businesses) and the timing of payment of related taxes (Note 11).

The recognition of deferred income tax assets are recognised for tax losses and temporary differences to the extent that the realisation of the related tax benefit through the future taxable profit is probable. The calculation of the future taxable profit involves judgements and estimates together with the considerations of the Group's tax planning strategy and the impact of the macro economic conditions. Different judgements and estimates may affect the recognition and measurement of the deferred income tax assets.

No deferred income tax assets were recognised as the management of the Group is not able to determine whether it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

(c) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less anticipated costs to completion and applicable variable selling expenses. These estimates are made based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to adverse market condition. Management reassesses the estimations at the balance sheet date to ensure inventories are stated at the lower of cost and net realisable value.

(d) *Fair value of convertible bonds*

Convertible bonds issued by the Group are not traded in active market, and its fair value is determined by using valuation techniques. The Group determines the fair value of convertible bonds by using binomial model. Significant unobservable inputs including volatility of the stock price and credit spread of the Company. Refer to Note 3.3.

5 Segment Information

The Executive Directors are the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance. With effect from 30 November 2016, the Executive Directors reassess the Group positions from the perspective of its products and businesses, management combines the original "production lines and production equipment" segment and "brand name production equipment" segment into "production and sales of industrial products" segment. As the Group's finance lease and factoring businesses increased in the period and the Group focuses on the expansion of such segment in the future, therefore, the "finance lease and factoring" is presented as a separate segment.

For the nine months ended 31 December 2016, the Group's operating segments consist of the followings:

(1) Production and sales of industrial products; and

(2) Finance lease and factoring.

The Executive Directors assess the performance of the operating segments based on the revenue and profit before tax in each segment, the Executive Directors do not focus on the total liabilities of the segments. The unallocated activities primarily consist of corporate headquarter which manage and support the segments, secondary market equity investments managed by the corporate headquarter. The assets and liabilities mainly consist of secondary market equity investments and the financial liabilities as a result of the issuance of the convertible bonds by the Company respectively. The segment reports from April to November 2016 have been rearranged after the reorganisation, the segment information as for the year ended 31 March 2016 is restated based on the reclassified operating segment for the current period.

5 Segment Information (Continued)

The segment information for the nine months ended 31 December 2016 is presented as follows:

	Nine months ended 31 December 2016				
	Production and sales of industrial products HK$'000	Finance lease and factoring HK$'000	Segment total HK$'000	Unallocated activities HK$'000	Total HK$'000
Segment revenue	267,451	909	268,360	–	268,360
Segment (losses)/profit	(38,418)	669	(37,749)	–	(37,749)
Other income	2,201	–	2,201	726	2,927
Other losses/(gains), net	7,910	–	7,910	(7,270)	640
Distribution costs	58,706	266	58,972	–	58,972
Administrative costs	136,441	1,380	137,821	6,540	144,361
– Provision for impairment of trade receivables	65,205	–	65,205	–	65,205
– Provision for impairment of other receivables	1,140	–	1,140	–	1,140
– Provision for impairment of inventories	31,596	–	31,596	–	31,596
– Provision for impairment of property, plant and equipment	2,737	–	2,737	–	2,737
Finance costs/(income), net	6,861	(5,997)	864	1	865
Loss from changes in fair value of convertible bonds	–	–	–	341,812	341,812
(Loss)/Profit before income tax	(246,135)	5,020	(241,115)	(340,357)	(581,472)

5 Segment Information (Continued)

	As at 31 December 2016				
	Production and sales of industrial products HK$'000	Finance lease and factoring HK$'000	Segment total HK$'000	Unallocated activities HK$'000	Total HK$'000
Segment total assets	**491,650**	**176,870**	**668,520**	**284,120**	**952,640**
Additions to non-current assets	**1,778**	**12**	**1,790**	**187**	**1,977**

The segment information as at 31 March 2016 is presented as follows:

	Year ended 31 March 2016 (restated)				
	Production and sales of industrial products HK$'000	Finance lease and factoring HK$'000	Segment total HK$'000	Unallocated activities HK$'000	Total HK$'000
Segment revenue	726,975	238	727,213	–	727,213
Segment profit	98,270	238	98,508	–	98,508
Other income	2,201	–	2,201	–	2,201
Other gains, net	5,571	3	5,574	–	5,574
Distribution costs	46,182	98	46,280	–	46,280
Administrative costs	56,394	1,367	57,761	2,472	60,233
– Provision for impairment of trade receivables	1,373	–	1,373	–	1,373
Finance costs, net	8,553	86	8,639	–	8,639
Loss before income tax	5,087	1,310	6,397	2,472	8,869

5 Segment Information (Continued)

	As at 31 March 2016 (restated)				
	Production and sales of industrial products HK$'000	Finance lease and factoring HK$'000	Segment total HK$'000	Unallocated activities HK$'000	Total HK$'000
Segment total assets	747,066	6,061	753,127	1,395	754,522
Additions to non-current assets	869	7	876	–	876

For the nine months ended 31 December 2016 and the year ended 31 March 2016, the revenue of the Group is categorised as follows:

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Sales of goods	**255,310**	538,674
Construction contracts	**12,141**	188,301
Financial lease and factoring	**909**	238
	268,360	727,213

For the nine months ended 31 December 2016 and the year ended 31 March 2016, the revenue of the Group is mainly arising from Mainland China and Hong Kong.

Revenue of approximately HK$20,854,000 (year ended 31 March 2016: HK$33,951,000) was derived from a single external customer. Such revenue was derived from the production and sales of industrial products segment.

As at 31 December 2016 and 31 March 2016, except for the financial instruments, the Group's non-current assets were located in Mainland China and Hong Kong.

6 Other Income

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Income from sales of scraps	**2,053**	1,850
Gains on sales of financial assets at fair value through profit or loss	**656**	–
Other income	**218**	351
	2,927	2,201

7 Other (Losses)/Gains, Net

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Compensation income	**188**	29
Government grants	**7,304**	13,491
Gains on changes in fair value of financial assets at fair value through profit or loss	**7,109**	–
Loss on disposal of property, plant and equipment	**(4,093)**	(45)
Inventories write-downs	**(4,465)**	(24)
Compensation charges	**(1,761)**	(901)
Other (losses)/gains	**(434)**	1,445
Exchange losses	**(4,488)**	(8,421)
	(640)	5,574

8 Expenses by Nature

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Changes in inventories of finished goods and work in progress	**(17,277)**	1,783
Raw materials and consumables used	**243,705**	500,780
Employee benefits expense	**119,560**	135,480
Provision for impairment of trade receivables	**65,205**	1,373
Provision for impairment of inventories	**31,596**	–
Depreciation	**7,610**	10,196
Travelling expense	**6,594**	11,657
Research and development expense	**5,926**	6,299
Transportation expense	**4,741**	9,932
Professional service fees	**4,272**	3,787
Operating lease expenses	**3,746**	2,281
Utilities	**3,731**	7,591
Vehicles expenses	**3,210**	4,066
Installation and maintenance fee	**3,537**	5,917
Entertainment expense	**3,161**	10,330
Other taxes	**2,965**	3,427
Provision for impairment of property, plant and equipment	**2,737**	–
Office expenses	**2,684**	3,617
Promotion and exhibition fee	**2,436**	1,995
Auditors' remuneration - audit services	**2,291**	990
Provision for impairment of other receivables	**1,140**	–
Amortisation of land use rights	**229**	287
Others	**5,643**	13,430
	509,442	735,218

9 Employee Benefit Expense

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Wages and salaries	**78,040**	118,624
Defined contribution plan (a)	**2,580**	9,794
Termination benefits (b)	**38,940**	7,062
	119,560	135,480

(a) Employees in the Group's subsidiaries located in Mainland China participate in the defined contribution retirement schemes administrated and operated by local municipal government. These subsidiaries shall make contributions to the schemes according to the relevant regulations as issued by the local municipal government, and provide funds for employees' post-employment benefits.

(b) Termination benefits

For the nine months ended 31 December 2016, employee termination benefits amounted to HK$38,940,000 (year ended 31 March 2016: HK$7,062,000), as a result of the business restructuring carried out in the subsidiaries in Mainland China and business transformation.

9 Employee Benefit Expense (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the nine months ended 31 December 2016 include one (year ended 31 March 2016: four) directors, whose emoluments are reflected in the analysis shown in note 34. The emoluments payable to the remaining four (year ended 31 March 2016: one) individuals for the nine months ended 31 December 2016 are as follows:

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Basic salaries, allowances and benefits in kind	3,235	643
Contribution to pension scheme	50	18
	3,285	661

The emoluments fell within the following bands:

	Number of individuals	
	Nine months ended 31 December 2016	Year ended 31 March 2016
Emolument bands (in HK$)		
HK$500,001 – HK$1,000,000	4	1

10 Finance Costs, Net

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Finance income:		
– Interest income from bank deposits	**(333)**	(325)
– Exchange gains	**(5,142)**	–
Finance costs:		
– Interest expenses on bank and other borrowings	**4,582**	3,844
– Discount interest on bills receivable	**1,758**	3,192
– Exchange losses	**–**	1,928
Finance costs, net	**865**	8,639

11 Income Tax Expense/(Credit)

Hong Kong profits tax has been provided at the rate of 16.5% (year ended 31 March 2016: 16.5%) on the estimated assessable profit for the period/year. Taxation of the subsidiaries in Mainland China has been calculated on the estimated assessable profit for the period/year at the rate of 25% (year ended 31 March 2016: 25%). Taxation on overseas profits has been calculated on the estimated assessable profit for the period/year at the rates of taxation prevailing in the countries in which the Group operates.

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Current income tax:		
Current tax on profits for the period/year	**1,072**	1,257
Adjustment in respect of prior years (a)	**20,867**	(1,658)
Total current income tax	**21,939**	(401)
Deferred income tax (Note 29)	**(260)**	(32)
Income tax expense/(credit)	**21,679**	(433)

(a) Certain subsidiaries of the Group are subject to the tax review conducted by the Hong Kong Inland Revenue Department on the offshore claim lodged on profits. During the reporting period, the Group provided for the current tax liabilities amounted to HK$20,867,000 based on the information obtained in the current period.

11 Income Tax Expense/(Credit) (Continued)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to loss/(profit) of the consolidated entities were as follows:

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Loss before tax	**581,472**	8,869
Tax at the statutory tax rates	**(115,007)**	(1,520)
Tax effects of:		
– Expenses not deductible for tax purposes	**2,028**	1,552
– Utilisation of previously unrecognised tax losses	**–**	(204)
– Tax loss for which no deferred income tax asset was recognised (Note 29)	**97,600**	1,858
– Adjustments in respect of prior years	**20,867**	(1,658)
– Impact of preferential tax rates (b)	**16,191**	(461)
Income tax expense/(credit)	**21,679**	(433)

(b) Certain subsidiaries of the Group in Mainland China obtained the Advanced and New Technology Enterprise ("ANTE") certificate and enjoy the preferential tax rate. The preferential tax rate for such subsidiaries in Mainland China is 15% while the statutory tax rate is 25% in Mainland China.

12 Loss per Share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period/year.

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000 (Restated)
Losses attributable to equity holders of the Company	(603,151)	(8,436)
Weighted average number of ordinary shares in issue *(in thousands)*	1,363,270	525,000
Basic loss per share *(in HK$ cents)*	(44.24)	(1.61)

(b) Diluted

As it is assumed that the conversion of the Company's outstanding convertible bonds will result in a decrease in loss per share for the period, in the calculation of the diluted loss per share for the nine months ended 31 December 2016, it is not assumed that the Company's outstanding convertible bonds have been exercised.

For the year ended 31 March 2016, the Company's basic loss per share approximated the diluted loss per share.

12 Loss per Share (Continued)

(c) Loss per share (restated)

On 30 May 2016, the Company issued 930,000,000 ordinary shares at HK$0.4 per share to Unis Technology Strategy Investment Limited, Reach General International Limited and Ms. Chen Ping. The consolidated financial statements of the Company of the last year, i.e., the year ended 31 March 2016, was signed on 29 June 2016, and the Company have retrospectively adjusted the weighted average number of issued shares of the consolidated financial statement of the Company for the year ended 31 March 2016 in respect of the above ordinary share issuance. Since before 30 May 2015, Unis Technology Strategy Investment Limited, Reach General International Limited and Chen Ping were third parties independent to the Group, and such ordinary share issuance did not affect the capital used for the production of loss or profit for the years ended 31 March 2016 and 31 March 2015, therefore, when the Company calculating its basic and diluted (losses)/earnings per share for the years ended 31 March 2016 and 31 March 2015, the weighted average number of issued shares shall not be retrospectively adjusted. Accordingly, the Company corrected the calculation errors on the (losses)/earnings per share as disclosed in the consolidated financial statements for the year ended 31 March 2016, the basic and diluted (losses)/earnings per share for the years ended 31 March 2016 and 31 March 2015 have been restated from HK(0.82) cents to HK(1.61) cents and HK0.25 cents to HK0.48 cents respectively in this annual report.

13 Subsidiaries

The following is a list of the principal subsidiaries as of 31 December 2016:

Name of companies	Place of incorporation	Kind of legal entity	Principal activities	Place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
i-System Investment Company Limited	British Virgin Islands ("BVI")	Limited Liability Company	Investment holding	Hong Kong	US$2,000	100%	100%
Sun East Electronic Equipment Company Limited	Hong Kong	Limited Liability Company	Sales of industrial products	Hong Kong	US$5,000,000	–	100%
Fureach Precision Limited	Hong Kong	Limited Liability Company	Sales of industrial products	Hong Kong	HK$10,000	–	100%
Frontier Precision System Co., Ltd	Hong Kong	Limited Liability Company	Investment holding	Hong Kong	HK$10,000	–	100%
Sun East Tech Development Limited	Hong Kong	Limited Liability Company	Sales of industrial products	Hong Kong	HK$10,000	–	100%
日東電子發展(深圳)有限公司	Mainland China	Limited Liability Company	Production and sales of industrial products	Mainland China	HK$81,000,000	–	100%
天力精密系統(深圳)有限公司	Mainland China	Limited Liability Company	Production and sales of industrial products	Mainland China	HK$15,300,000	–	100%
紫光日東科技(深圳)有限公司 (formerly known as: 日東電子科技(深圳)有限公司)	Mainland China	Limited Liability Company	Production and sales of industrial products	Mainland China	HK$25,000,000	–	100%
富運精密設備(深圳)有限公司	Mainland China	Limited Liability Company	Production and sales of industrial products	Mainland China	HK$10,000,000	–	100%
紫光融資租賃(深圳)有限公司 (formerly known as: 天時融資租賃(深圳)有限公司)#	Mainland China	Limited Liability Company	Finance lease and factoring	Mainland China	US$30,000,000	–	100%
Unisplendour Technology Investment Limited*	BVI	Limited Liability Company	Investment holding	Hong Kong	US$50,000	100%	100%
Unisplendour Technology Investment (HK) Limited*	Hong Kong	Limited Liability Company	Investment in secondary market	Hong Kong	HK$10,000	–	100%

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the nine months ended 31 December 2016 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

On 1 March 2017, 紫光融資租賃(深圳)有限公司 was renamed as 紫光芯雲融資租賃有限公司.

* Incorporated within the period for the nine months ended 31 December 2016.

14 Property, Plant and Equipment

Year ended 31 March 2016	Properties HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and property decoration HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2015						
Cost	–	70,732	33,369	2,802	11,812	118,715
Accumulated depreciation	–	(51,905)	(28,146)	(331)	(6,579)	(86,961)
Fair valuation	135,595	–	–	–	–	135,595
Net book amount	135,595	18,827	5,223	2,471	5,233	167,349
Opening net book amount	135,595	18,827	5,223	2,471	5,233	167,349
Additions	–	152	526	–	198	876
Disposals	–	(155)	(28)	(302)	–	(485)
Surplus on revaluation	2,058	–	–	–	–	2,058
Depreciation charge	(6,055)	(1,686)	(1,066)	(348)	(1,041)	(10,196)
Exchange adjustments	(6,175)	(1,003)	(248)	(126)	(158)	(7,710)
Closing net book amount	125,423	16,135	4,407	1,695	4,232	151,892
Cost or valuation at 31 March 2016 is analysed as follows:						
Cost	–	67,101	32,061	2,472	11,727	113,361
Accumulated depreciation	–	(50,966)	(27,654)	(777)	(7,495)	(86,892)
Fair valuation	125,423	–	–	–	–	125,423
	125,423	16,135	4,407	1,695	4,232	151,892
Nine months ended 31 December 2016						
Opening net book amount	**125,423**	**16,135**	**4,407**	**1,695**	**4,232**	**151,892**
Additions	**–**	**22**	**440**	**–**	**1,515**	**1,977**
Disposals	**–**	**(4,556)**	**(390)**	**–**	**(792)**	**(5,738)**
Surplus on revaluation	**2,651**	**–**	**–**	**–**	**–**	**2,651**
Depreciation charge	**(4,296)**	**(1,208)**	**(1,177)**	**(248)**	**(681)**	**(7,610)**
Impairment	**–**	**(1,630)**	**(685)**	**–**	**(422)**	**(2,737)**
Exchange adjustments	**(6,248)**	**(796)**	**(128)**	**(94)**	**(148)**	**(7,414)**
Closing net book amount	**117,530**	**7,967**	**2,467**	**1,353**	**3,704**	**133,021**
Cost or valuation at 31 December 2016 is analysed as follows:						
Cost	**–**	**37,201**	**26,899**	**2,317**	**7,696**	**74,113**
Accumulated depreciation	**–**	**(29,234)**	**(24,432)**	**(964)**	**(3,992)**	**(58,622)**
Fair valuation	**117,530**	**–**	**–**	**–**	**–**	**117,530**
	117,530	**7,967**	**2,467**	**1,353**	**3,704**	**133,021**

14 Property, Plant and Equipment (Continued)

Depreciation charges are recognised in the following items within the profit or loss:

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Cost of sales	**2,808**	3,512
Distribution costs	**191**	299
Administrative costs	**4,611**	6,385
	7,610	10,196

As at 31 December 2016, the Group's properties with net book amounts of HK$103,379,000 (31 March 2016: HK$111,773,000) are pledged to banks to secure the banking facilities granted to the Group (Note 27).

Valuation processes of the Group

The Group's properties were valued on each balance sheet date by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all properties, their current use equates to the highest and best use.

The Group's finance department is responsible for reviewing the valuations performed by the independent valuer for financial reporting purposes. The finance department reports directly to the CFO and the AC. The CFO, AC and the independent valuer will meet at least annually to discuss valuation process and the respective valuation results, in line with the Group's reporting date. As at 31 December 2016 and 31 March 2016, the fair value of property was assessed by independent valuer.

At each balance sheet date, finance department will:

- Verify all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report; and
- Discuss with independent valuer.

14 Property, Plant and Equipment (Continued)

All level 2 and level 3 valuation results on the balance sheet date are discussed with the CFO, AC and the finance department on the annual valuation meeting. The finance department will submit the report with the explanation of the change in fair value after the meeting.

Fair value of properties is a level 3 fair value measurement. Significant unobservable inputs and valuation techniques are as follows:

Description	Fair value at 31 December 2016 HK$'000	Valuation technique(s)	Unobservable input	Range (weighted average)
Properties of 日東電子發展(深圳)有限公司	91,379	Depreciated replacement cost approach	Construction cost	Approximately Renminbi 1,100-2,100/m^2
Properties of 紫光日東科技(深圳)有限公司	2,351	Direct comparison approach	Comparable land price per floor area	Approximately Renminbi 5,700-8,600/m^2
Properties of Sun East Electronic Equipment Company Limited	23,800	Direct comparison approach	Comparable land price per floor area	Approximately HK$4,400-5,100/$m^2$

Description	Fair value at 31 March 2016 HK$'000	Valuation technique(s)	Unobservable input	Range (weighted average)
Properties of 日東電子發展(深圳)有限公司	99,873	Depreciated replacement cost approach	Construction cost	Approximately Renminbi 1,000-2,200/m^2
Properties of 紫光日東科技(深圳)有限公司	2,550	Direct comparison approach	Comparable land price per floor area	Approximately Renminbi 5,200-7,900/m^2
Properties of Sun East Electronic Equipment Company Limited	23,000	Direct comparison approach	Comparable land price per floor area	Approximately HK$3,900-6,300/$m^2$

14 Property, Plant and Equipment (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Nine months ended 31 December 2016 Properties		
	Mainland China HK$'000	Hong Kong HK$'000	Total HK$'000
Opening balance	102,423	23,000	125,423
Fair value change recognised in the other comprehensive income	1,350	894	2,244
Deferred tax liability arising from the change in fair value	267	140	407
Closing balance	93,730	23,800	117,530

	Year ended 31 March 2016 Properties		
	Mainland China HK$'000	Hong Kong HK$'000	Total HK$'000
Opening balance	111,875	23,720	135,595
Fair value change recognised in the other comprehensive income	299	1,445	1,744
Deferred tax liability arising from the change in fair value	59	255	314
Closing balance	102,423	23,000	125,423

As at 31 December 2016, if the properties were measured at historical cost, the book value was HK$116,855,000, the accumulated depreciation was HK$60,289,000 and the net book value was HK$56,566,000 (As at 31 March 2016: the book value was HK$124,214,000, the accumulated depreciation was HK$62,735,000 and the net book value was HK$61,479,000).

14 Property, Plant and Equipment (Continued)

For the nine months ended 31 December 2016, the impairment losses on machinery and equipment, furniture, fixtures and property decoration and motor vehicles were HK$2,737,000 (year ended 31 March 2016: nil) of which HK$2,315,000 was recognised at the cost of sales and HK$422,000 was recognised as administrative costs. These impairment losses are derived from the production and sales of industrial products segment. As the Group is conducting business transformation and the Group will reduce the production of certain types of industrial products, therefore, the Group considers selling or disposing of these assets. The recoverable amount of the assets is measured at its fair value less disposal costs and the respective fair value is assessed by the independent valuer on the balance sheet date.

The Group assesses the fair value of the aforesaid assets using the direct method of comparative and depreciation of the cost method, which is level 3 fair value measurement. The significant unobservable input values used in the valuation process mainly include the selling prices and asset replacement costs for similar assets.

15 Land Use Rights

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Carrying amount at the beginning of the period/year	**10,551**	11,474
Amortisation of land use rights	**(229)**	(287)
Exchange adjustments	**(662)**	(636)
Carrying amount at the end of the period/year	**9,660**	10,551

As at 31 December 2016, the land use rights with net carrying amounts of HK$8,134,000 (31 March 2016: HK$8,907,000) are pledged to banks to secure the banking facilities granted to the Group (Note 27).

16 Finance Lease Receivables

	31 December 2016 HK$'000	31 March 2016 HK$'000
Finance lease receivables - Current	**3,927**	3,107
Finance lease receivables - Non-current	**542**	1,776
	4,469	4,883

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2016 HK$'000	31 March 2016 HK$'000	31 December 2016 HK$'000	31 March 2016 HK$'000
Receivables under finance leases:				
Within one year	**4,217**	3,696	**3,927**	3,107
More than one year but not more than five years	**710**	1,874	**542**	1,776
	4,927	5,570	**4,469**	4,883
Less: Unearned finance income	**(458)**	(687)	**n/a**	n/a
Present value of minimum lease payments receivable	**4,469**	4,883	**4,469**	4,883
Less: Amount due for settlement within twelve months (shown under current assets)			**3,927**	3,107
Amount due for settlement after twelve months			**542**	1,776

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. For the nine months ended 31 December 2016, the average effective interest rate contracted is approximately 19.31% per annum (year ended 31 March 2016: 15.11%).

As at 31 December 2016 and 31 March 2016, the Group's financial lease receivables are denominated in Renminbi.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

17 Inventories

	31 December 2016 HK$'000	31 March 2016 HK$'000
Raw materials	**31,838**	41,035
Work in progress	**5,150**	21,363
Finished goods	**64,332**	65,396
	101,320	127,794
Less: Provision for impairment	**(31,804)**	(15,077)
	69,516	112,717

Movements in provision for impairment are as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
At the beginning of the period/year	**(15,077)**	(20,049)
Currency translation differences	**1,862**	(548)
Provision for impairment of inventories	**(31,596)**	785
Written-off (a)	**13,007**	4,735
At the end of the period/year	**(31,804)**	(15,077)

For the nine months ended 31 December 2016, inventory cost recognised in distribution costs was HK$287,739,000 (year ended 31 March 2016: HK$618,448,000).

For the nine months ended 31 December 2016, the group's provision for impairment of inventories amounted to HK$31,596,000, which was recognised in at the cost of sales. The main reasons for the provision for impairment are: (1) the group's business transformation will reduce the production of certain types of industrial products; (2) the market price of certain inventories have declined.

(a) inventories written off represent the disposal of inventories of which provision for impairment had been made previously. The respective losses on disposal have been recognised in other (losses)/gains.

18 Financial Instruments by Category

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
At 31 December 2016			
Assets as per balance sheet			
Finance lease receivables	4,469	–	4,469
Trade receivables and other receivables, excluding prepayments	339,742	–	339,742
Financial assets at fair value through profit or loss	–	76,042	76,042
Security deposits and restricted deposits	2,883	–	2,883
Cash and cash equivalents	294,052	–	294,052
Total	641,146	76,042	717,188

	Financial assets at fair value through profit or loss HK$'000	Other financial assets, at amortisation cost HK$'000	Total HK$'000
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	–	122,881	122,881
Convertible bonds	756,892	–	756,892
Trade payables and other payables, excluding non-financial liabilities	–	71,708	71,708
Total	756,892	194,589	951,481

18 Financial Instruments by Category (Continued)

	Loans and receivables HK$'000	Derivatives Financial instruments HK$'000	Total HK$'000
At 31 March 2016			
Assets as per balance sheet			
Finance lease receivables	4,883	–	4,883
Derivatives financial instruments	–	183	183
Trade and other receivables, excluding prepayments	367,765	–	367,765
Security deposits and restricted deposits	14,680	–	14,680
Cash and cash equivalents	71,905	–	71,905
Total	459,233	183	459,416

	Other financial assets, at amortisation cost HK$'000
Liabilities as per balance sheet	
Borrowings (excluding finance lease liabilities)	143,219
Trade payables and other payables, (excluding non-financial liabilities)	169,198
Total	312,417

19 Financial Assets at Fair Value through Profit or Loss

	31 December 2016 HK$'000	31 March 2016 HK$'000
Listed securities-held-for-trading		
– Equity securities – Hong Kong	76,042	–

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the consolidated statement of cash flows (Note 30).

Changes in fair values of financial assets at fair value through profit or loss are recognised in 'Other (losses)/gains, net' in the consolidated statement of comprehensive income (Note 7).

Financial assets at fair value through profit or loss are denominated in Hong Kong dollar.

The fair value of all equity securities is based on their current bid prices in active market.

20 Trade Receivables and Other Receivables

	31 December 2016 HK$'000	31 March 2016 HK$'000
Trade and bills receivables	293,294	384,315
Less: Provision for impairment of trade receivables	(99,092)	(45,986)
Trade and bills receivables, net	194,202	338,329
Factoring receivables (a)	134,052	–
Prepayments	19,655	16,346
Other receivables	11,488	29,436
Current portion	359,397	384,111

As at 31 December 2016, the Group has no trade receivables pledged to banks as collateral for the Group's banking facilities (31 March 2016: HK$264,355,000).

20 Trade Receivables and Other Receivables (Continued)

Part of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit terms of thirty to ninety days. As at 31 December 2016 and 31 March 2016, the ageing analysis of the trade receivables based on invoice date were as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Less than 3 months	**103,980**	97,400
3 to 6 months	**12,301**	39,410
More than 6 months	**177,013**	247,505
	293,294	384,315

As at 31 December 2016, trade receivables of HK$18,254,000 (31 March 2016: HK$66,678,000) were past due but not impaired. These related to a number of independent clients for whom there is no significant financial difficulties, and based on past experience, the overdue amounts can be recovered. The ageing analysis of such trade receivables is as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
3 to 6 months	**–**	4,802
More than 6 months	**18,254**	61,876
	18,254	66,678

20 Trade Receivables and Other Receivables (Continued)

As at 31 December 2016, trade receivables of HK$127,313,000 (31 March 2016: HK$47,183,000) were impaired. As at 31 December 2016, the provision was HK$99,092,000 (31 March 2016: HK$45,986,000). Impairment of trade receivables was mainly arising from the clients with deteriorating credit quality, unexpectedly difficulties in business operations or long outstanding balances. The Group assessed that a portion of the trade receivables is expected to be recovered based on the review of credit history, analysis and assessment of the market and business conditions. During the reporting period, the Group has undergone restructuring of the trade receivables arising from certain of its business and with long outstanding period resulting in the increase in the provision of impairment of trade receivables. The ageing of such receivables were as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
3 to 6 months	**1,669**	–
More than 6 months	**125,644**	47,183
	127,313	47,183

Movements on the Group's provision for impairment of trade receivables are as follows:

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
At the beginning of the period/year	**45,986**	47,786
Written-off	**(7,324)**	(2,135)
Provision for impairment of trade receivables	**65,205**	1,373
Reversal of impairment loss	**–**	(353)
Exchange differences	**(4,775)**	(685)
At the end of the period/year	**99,092**	45,986

20 Trade Receivables and Other Receivables (Continued)

The creation and release of provision for impaired receivables were included in 'administrative costs' in the consolidated statement of comprehensive income (Note 8). The amount charged to the allowance account is generally written off when it is expected that no additional cash can be recovered.

The other classes within trade and bills receivables do not contain impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above.

(a) Factoring receivables

On 28 December 2016, the Company's subsidiary 紫光融資租賃(深圳)有限公司 (On 1 March 2017, renamed as 紫光芯雲融資租賃有限公司) entered into a factoring agreement with a company in Mainland China, based on which 紫光融資租賃(深圳)有限公司 provides factoring service of trade receivables (with recourse) with total amounts no more than RMB120,000,000 (equivalent to HK$134,052,000) with terms of six months.

The carrying amounts of the Group's trade and other receivables denominated in the following currencies:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Renminbi	**416,919**	402,972
US dollar	**31,279**	19,923
Hong Kong dollar	**10,113**	7,110
European dollar	**124**	38
Japanese yen	**54**	54
	458,489	430,097

21 Cash and Cash Equivalents

	31 December 2016 HK$'000	31 March 2016 HK$'000
Cash at bank and on hand	**162,259**	71,905
Other cash balances (a)	**131,793**	–
Cash and cash equivalents	**294,052**	71,905

(a) Other cash balances are balances deposited in securities company not invested.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Hong Kong dollar	**163,184**	5,981
US dollar	**104,197**	15,183
Renminbi	**25,774**	49,697
European dollar	**852**	998
Other currencies	**45**	46
	294,052	71,905

22 Security and Restricted Deposits

	31 December 2016 HK$'000	31 March 2016 HK$'000
Security deposits (a)	**2,883**	4,550
Restricted deposits (b)	**–**	10,130
	2,883	14,680

(a) Security deposits are performance guarantee bonds deposited by the Group in banks. These deposits earn interest at 0.35% (31 March 2016: 0.35%) per annum.

(b) Restricted deposits mainly represented as blocked deposits for certain litigations in Mainland China. These litigations were settled in the current period and therefore the deposits were released from the restrictions.

As at 31 December 2016 and 31 March 2016, security deposits and restricted deposits were listed in Renminbi.

23 Share Capital and Share Premium

	Number of shares (In thousands)	Share capital HK$'000	Share premium HK$'000
At 1 April 2015 and 31 March 2016	525,000	52,500	87,728
– Proceeds from shares issued (a)	930,000	93,000	7,512
At 31 December 2016	**1,455,000**	**145,500**	**95,240**

(a) As described in note 1, with the approval obtained in the special general meeting on 9 May 2016, the Company issued 730,000,000 ordinary shares at the price of HK$0.4 per share and zero coupon convertible bonds of face value of HK$148,000,000 (Note 28) to Unis Technology Strategy Investment Limited on 30 May 2016. The fair value of the convertible bonds at the date of initial recognition was amounted to HK$415,080,000 and stated in the consolidated balance sheet as convertible bonds measure at fair value through profit or loss. As the issuance of the ordinary shares and the convertible bonds to Unis Technology Strategy Investment Limited by the Company is a bundle transaction, the difference between the cash considerations received from the issuance of such ordinary shares and convertible bonds and the fair value of the convertible bonds at the date of initial recognition is recognised as share capital and share premium.

On 30 May 2016, the Company issued 100,000,000 ordinary shares at a price of HK$0.4 per share to Reach General International Limited and Chen Ping respectively. In which, HK$20,000,000 is recognised as share capital, and HK$$60,000,000 is recognised as share premium.

The ordinary shares newly issued in the current period have the same rights as the shares in issue. The issuance costs amounted to HK$4,408,054 was deducted from the share premium.

24 Retained Earnings/(Accumulated Losses)

	The Group HK$'000
1 April 2015	98,065
Loss for the year	(8,436)
Amounts allocated to statutory reserve	(1,280)
31 March 2016	**88,349**

24 Retained Earnings/(Accumulated Losses) (Continued)

	The Group HK$'000
1 April 2016	**88,349**
Loss for the period	**(603,151)**
Amounts allocated to statutory reserve	**(377)**
31 December 2016	**(515,179)**

25 Other Reserves

	Contributed surplus HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Foreign currency translation HK$'000	Total HK$'000
Balance at 1 April 2015	4,800	9,945	65,456	24,558	104,759
Revaluation of properties	–	–	1,744	–	1,744
Exchange difference on translation of foreign operation	–	–	–	(17,180)	(17,180)
Amounts allocated to statutory reserve	–	1,280	–	–	1,280
31 March 2016	4,800	11,225	67,200	7,378	90,603

	Contributed surplus HK$'000	**Statutory reserve HK$'000**	**Asset revaluation reserve HK$'000**	**Foreign currency translation HK$'000**	**Total HK$'000**
Balance at 1 April 2016	**4,800**	**11,225**	**67,200**	**7,378**	**90,603**
Revaluation of properties	**–**	**–**	**2,244**	**–**	**2,244**
Exchange difference on translation of foreign operation	**–**	**–**	**–**	**(14,548)**	**(14,548)**
Amounts allocated to statutory reserve	**–**	**377**	**–**	**–**	**377**
31 December 2016	**4,800**	**11,602**	**69,444**	**(7,170)**	**78,676**

26 Trade payables and Other Payables

	31 December 2016 HK$'000	31 March 2016 HK$'000
Trade payables	**58,974**	152,378
Bills payables	**2,457**	13,816
Employee salaries payables	**5,070**	7,602
Other taxes payables	**38,968**	27,956
Advances from customers	**44,443**	32,546
Other payables	**10,277**	3,004
Accrued expenses	**42,747**	9,525
	202,936	246,827

As at 31 December 2016 and 31 March 2016, the ageing analysis of trade and bills payables based on the invoice date were as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Within 90 days	**40,679**	53,730
91 to 120 days	**1,947**	23,266
Over 120 days	**18,805**	89,198
	61,431	166,194

The carrying value of the Group's trade payables, bills payables and other payables are denominated in the following currencies:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Renminbi	**60,621**	96,522
US dollar	**8,423**	69,928
Hong Kong dollar	**2,664**	2,748
	71,708	169,198

27 Borrowings

	31 December 2016 HK$'000	31 March 2016 HK$'000
Current		
Secured bank loans due for repayment within one year (a)	**122,881**	127,093
Asset-backed financing (b)	**–**	16,126
	122,881	143,219

(a) The secured bank loans are secured by the Group's properties (Note 14), land use rights (Note 15) and corporate guarantees provided by the Company and its subsidiaries. (31 March 2016: The secured secured bank loans are secured by the Group's properties (Note 14), land use rights (Note 15), trade receivables (Note 20), and corporate guarantees provided by the Company and its subsidiaries).

(b) The asset-backed financing represents the amounts received from banks by discounting bills receivables not yet mature. The corresponding financial assets are included in bills receivables (Note 20).

As at 31 December 2016 and 31 March 2016, all bank and other borrowings are due for repayment within one year. As at 31 December 2016, the average annual borrowing interest rate was 4.74% (31 March 2016: 5.34%).

The above borrowings are carried at amortised cost. The fair value approximated to its carrying amount as the term is short.

The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Renminbi	**122,881**	123,388
US dollar	**–**	19,831
	122,881	143,219

28 Convertible Bonds

As described in note 1 and note 23, on 30 May 2016, the Company issued 730,000,000 ordinary shares at a price of HK$0.4 per share and zero coupon convertible bonds with face value of HK$148,000,000 to Unis Technology Strategy Investment Limited. The bonds shall be matured in five years from the date of issue at their face value of HK$148,000,000 or converted into ordinary shares of the Company at HK$0.4 per share (subject to adjustment) by the holder before the maturity date of the bonds. Such transaction was approved in the special general meeting held on 9 May 2016. No convertible bonds were converted into ordinary shares of the Company during the period.

Convertible bonds were presented as financial liabilities at fair value through profit or loss.

During the period, the loss from changes in fair value of convertible bonds was HK$341,812,000. As at 31 December 2016, the fair value of convertible bonds was HK$756,892,000, which is determined by using valuation methodology with the use of unobservable inputs (level 3) (Note 3.3).

29 Deferred Income Tax

The analysis of deferred tax liabilities is as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**13,310**	12,903
– Deferred tax liabilities to be recovered within 12 months	**–**	260
	13,310	13,163

The gross movement on the deferred tax liabilities is as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
At the beginning of the period/year	**13,163**	12,881
Accelerated tax depreciation	**(260)**	(32)
Revaluation of properties	**407**	314
At the end of the period/year	**13,310**	13,163

29 Deferred Income Tax (Continued)

The gross movement on the deferred tax liabilities for the period/year is as follows:

Deferred tax liabilities	Accelerated tax depreciation HK$'000	Properties revaluation HK$'000	Total HK$'000
At 1 April 2015	292	12,589	12,881
Charged to the statement of comprehensive income	(32)	–	(32)
Charged to other comprehensive income	–	314	314
At 31 March 2016	**260**	**12,903**	**13,163**
Charged to the statement of comprehensive income	**(260)**	**–**	**(260)**
Charged to other comprehensive income	**–**	**407**	**407**
At 31 December 2016	**–**	**13,310**	**13,310**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. For the nine months ended 31 December 2016, the Group has not recognised deferred tax assets amounted to HK$104,948,000 (year ended 31 March 2016: HK$7,348,000) in respect of losses amounted to HK$616,497,000 (year ended 31 March 2016: HK$34,191,000) that can be carried forward against future taxable income.

For the nine months ended 31 December 2016, the aforesaid tax loss of HK $ 368,632,000 (year ended 31 March 2016: HK $ 14,121,000), which was not carried forward to offset future taxable income, had no due date. The remaining tax losses that are not carried forward to offset future taxable income will expire in the following years:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Year		
2017	**3,964**	1,507
2018	**10,430**	3,964
2019	**760**	10,430
2020	**3,409**	760
2021	**229,302**	3,409
	247,865	20,070

30 Notes to the Consolidated Statement of Cash Flows

(a) Loss before income tax and reconciliation of cash (used in)/generated from operating activities:

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Loss before income tax	**(581,472)**	(8,869)
Adjustments for:		
– Amortisation of land use rights (Note 15)	**229**	287
– Depreciation of property, plant and equipment (Note 14)	**7,610**	10,196
– Losses on disposal of property, plant and equipment (Note 7)	**4,093**	45
– Commission payable no need to pay	**–**	(3,906)
– Provision for impairment of trade receivables (Note 8)	**65,205**	1,353
– Provision for impairment of other receivables (Note 8)	**1,140**	–
– Provision for impairment of inventories (Note 8)	**31,596**	–
– Provision for impairment of property, plant and equipment (Note 14)	**2,737**	–
– Changes in fair value of financial assets at fair value through profit or loss (Note 7)	**(7,109)**	–
– Fair value gains on derivative financial instruments	**–**	131
– Finance costs, net (Note 10)	**865**	6,508
– Changes in fair value of convertible bonds (Note 28)	**341,812**	–
– Other losses	**–**	87
Changes in working capital:		
– Decrease in inventories	**9,743**	47,338
– (Increase)/decrease in trade receivables and other receivables	**(46,241)**	16,468
– Decrease in trade payables and other payables	**(43,891)**	(66,063)
– Decrease in finance lease receivables	**414**	–
– Change in derivative financial instruments	**183**	(314)
Cash (used in)/generated from operations	**(213,086)**	3,261

30 Notes to the Consolidated Statement of Cash Flows (Continued)

The proceeds from sales of property, plant and equipment included in the consolidated statement of cash flows include:

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Net book value (Note 14)	**5,738**	485
Losses on disposal of property, plant and equipment	**(4,093)**	(45)
Proceeds from disposal of property, plant and equipment	**1,645**	440

31 Commitments

Operating lease commitments – the Group as lessee

The Group leases certain office premises or staff quarter under non-cancellable operating lease arrangements. The lease terms are between one and three years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The aggregate future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Within one year	**10,506**	1,673
More than one year but not more than five years	**17,449**	1,334
	27,955	3,007

As at 31 December 2016 and 31 March 2016, the Group had no non-cancellable capital commitments.

32 Related Party Transactions

Key management compensation

Key management includes Directors (Executive Director and Non-executive Director) and Company Secretary. The remuneration paid or payable to key management personnel for employee services is shown below:

	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Salaries and other short-term employee benefits	**6,779**	9,633
Post-employment benefits	**71**	132
Total	**6,850**	9,765

33 Balance Sheet and Reserve Movement of the Company

	31 December 2016 HK$'000	31 March 2016 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**206**	32
Investment in subsidiaries	**115,678**	115,668
	115,884	115,700
Current assets		
Amounts due from subsidiaries	**583,262**	144,140
Trade receivables and other receivables	**7,122**	591
Cash and bank deposits	**68,957**	772
	659,341	145,503
TOTAL ASSETS	**775,225**	261,203
EQUITY AND LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	**2,535**	3,554
Trade payables and other payables	**5,498**	2,509
	8,033	6,063
Non-current liabilities		
Convertible bonds	**756,892**	–
TOTAL LIABILITIES	**764,925**	6,063
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**145,500**	52,500
Share premium	**95,240**	87,728
(Accumulated losses)/retained earnings (a)	**(230,440)**	114,912
TOTAL EQUITY	**10,300**	255,140
TOTAL EQUITY AND LIABILITIES	**775,225**	261,203

33 Balance Sheet and Reserve Movement of the Company

(Continued)

(a) Reserve movement of the Company

	Retained earnings/ (accumulated losses) HK$'000
1 April 2015	117,384
Loss for the year	(2,472)
31 March 2016	114,912
1 April 2016	**114,912**
Loss for the period	**(345,352)**
31 December 2016	**(230,440)**

34 Benefits and Interests of Directors

(a) Directors' and Chief Executive Officer's emoluments

Directors' and Chief Executive Officer's emoluments is set out below:

For the nine months ended 31 December 2016:

Name	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Contribution to pension scheme HK$'000	Total HK$'000
Directors:				
Mr. QI Lian	–	–	–	–
Mr. XIA Yuan	–	–	–	–
Mr. BUT Tin Fu	–	1,211	12	1,223
Mr. BUT Tin Hing	–	539	5	544
Mr. LEUNG Cheong	–	502	5	507
Mr. LEUNG Kuen, Ivan	–	502	5	507
Mr. Li Zhongxiang	–	–	–	–
Mr. Wang Huixuan	–	–	–	–
Mr. Zhang Yonghong	–	–	–	–
Independent directors:				
Mr. SEE Tak Wah	71	–	–	71
Prof. XU Yang Sheng	71	–	–	71
Mr. LI Wanshou	71	–	–	71
Mr. Cui Yuzhi	38	–	–	38
Mr. Bao Yi	38	–	–	38
Mr. Ping Fan	38	–	–	38
	327	2,754	27	3,108

34 Benefits and Interests of Directors (Continued)

(a) Directors' and Chief Executive Officer's emoluments (Continued)

On 30 May 2016, Mr. XIA Yuan was appointed as Chief Executive Officer of the Company, and Mr. LEUNG Cheong resigned as the Chief Executive Officer on that day.

On 2 June 2016, Mr. QI Lian and Mr. XIA Yuan were appointed as Executive Directors of the Company, and Mr. BUT Tin Fu resigned as the Chairman on that day, but continued to act as Executive Director of the Company.

On 26 August 2016, Mr. ZHANG Yonghong was appointed as Executive Director of the Company, and Mr. BUT Tin Hing, Mr. LEUNG Cheong and Mr. LEUNG Kuen, Ivan resigned as Executive Directors of the Company on that day.

On 27 September 2016, Mr. ZHANG Yonghong resigned as the Executive Director of the Company, and Mr. SEE Tak Wah, Prof. XU Yang Sheng and Mr. LI Wanshou resigned as Independent Non-executive Directors of the Company, and Mr. CUI Yuzhi, Mr. BAO Yi and Mr. PING Fan were appointed as Independent Non-executive Directors of the Company on that day.

On 31 October 2016, Mr. LI Zhongxiang and Mr. WANG Huixuan were appointed as Non-executive Directors of the Company.

On 29 November 2016, Mr. BUT Tin Fu resigned as Executive Director of the Company.

34 Benefits and Interests of Directors (Continued)

(a) Directors' and Chief Executive Officer's emoluments (Continued)

For the year ended 31 March 2016:

Name	Fees	Basic salaries, allowances and benefits in kind	Contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Directors:				
Mr. BUT Tin Fu	–	1,620	18	1,638
Mr. BUT Tin Hing	–	1,998	18	2,016
Mr. LEUNG Cheong	–	1,613	18	1,631
Mr. LEUNG Kuen, Ivan	–	1,909	18	1,927
Independent directors:				
Mr. SEE Tak Wah	144	–	–	144
Prof. XU Yang Sheng	144	–	–	144
Mr. LI Wanshou	144	–	–	144
	432	7,140	72	7,644

(b) For the nine months ended 31 December 2016, the Group has no directors' retirement benefits, termination benefits, considerations and borrowings provided to third parties for rendering of director's service, as well as loans, quasi-loans and other credit transaction information provided to directors, body corporate controlled by these directors and related parties of directors to be disclosed.

(c) No significant transactions, arrangements and contracts or in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted for the nine months ended 31 December 2016.

35 Events after the Balance Sheet Date

On 30 March 2017, an ordinary resolution has been passed in the special general meeting for the approval of the "Supplemental Deed" entered into by the Company with Unis Technology Strategy Investment Limited, pursuant to which the Company and Unis Technology Strategy Investment Limited agreed to remove the relevant terms and conditions in relation to the conversion price adjustment under the original agreement (the "Amendments"), accordingly, the convertible bonds issued by the Company pursuant to the original agreement will be derecognised. According to the "Supplemental Deed", the convertible bonds issued by the Company will be recognised as compound financial instruments. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component of a compound financial instrument is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves.

Assuming the "Supplemental Deed" was effective on 31 December 2016, with all other variables held constant, based on the preliminary assessment of the management of the Group, the Group's net assets would have been increased by HK$660,221,000 and resulting in the change from net liability of HK$195,763,000 to net assets of HK$464,458,000 as at 31 December 2016.